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Towards a European Climate Diplomacy

A proposal to extend the
European Green Deal to Ukraine,
Moldova, Georgia and beyond
through strategic Paris partnerships
à la carte centred around
conditional climate finance

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Eastern Partnership Plus is a project of the Center for Liberal Modernity (LibMod), funded by the German Federal Foreign Office. It aims to bring innovative ideas and political recommendations for action from the three EU-Associated Countries to the stakeholders in political Berlin.

The program includes workshops, policy papers, briefings and public discussions in the German capital. The overall focus of the project is to promote political debate and EU engagement with the Eastern Partnership countries, especially Ukraine, Georgia and Moldova. These three associated countries are to be provided with an opportunity to strengthen their mutual relations and establish intensive cooperation with partners and actors from politics, think tanks and civil society in Berlin.

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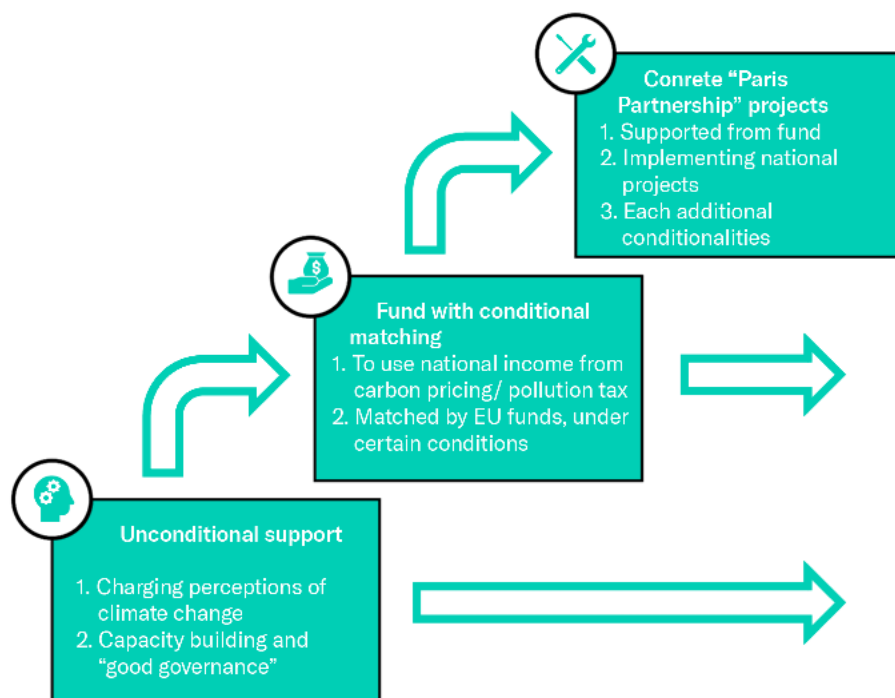
Executive Summary

With the European Green Deal (EGD), the EU has embarked on an ambitious path towards making Europe the first climate-neutral continent by 2050. But the EU will not be able to achieve this continental vision on its own, let alone single-handedly prevent global climate change. We argue that the EU should support this transition in other countries through a more ambitious and strategic European climate diplomacy in order to ensure climate targets are met globally.

The “Trio countries” – Georgia, Moldova and Ukraine – are ideal candidates with which to test and develop the EU’s tools for this endeavour. Due to the close economic and political relationship, the EU has considerable influence in these three countries. Strong trade links, legal approximation and substantial financial support give the EU leverage to support the economic transformation in its partner countries. Meanwhile, the Trio must overcome significant challenges in order to lower their emissions while also strengthening their economies. Common issues are disproportionate energy demand, dependence on other countries, large political influence of domestic business interest groups, corruption, an insufficient sense of urgency with respect to climate risks, underestimation of the transformational potential of climate action, aging infrastructure, limited access to capital and high capital costs, and finally a lack of long-term planning. These challenges are typical of those that many less affluent countries across the world are facing.

We propose that, in order to overcome these obstacles and enable partner countries to implement more ambitious climate policies, member states task the European Commission to draw up a set of well-designed Paris partnership options from among which partner countries could choose – an external European Green Deal “à la carte”. While the focus of concrete Paris partnership projects could be tailored to each country’s specific challenges and needs, each Paris partnership would be centred around a national climate fund which would serve to drive down capital costs and enable long-term investments. Such a fund should be filled from national carbon pricing revenues matched with EU support whose level would depend on the ambition levels of national action plans. This would attach a strong conditionality to the EU’s support, strengthening the Trio countries’ resolve to actually implement the promised changes and serving as a commitment device for their governments. Several non-conditional measures would accompany the fund, such as measures to increase public awareness of the benefits of climate policies, as well as technical support, capacity building efforts, and regulatory support.

Figure 1: Paris Partnership Process



1 Introduction

With the European Green Deal (EGD), the EU has embarked on an ambitious path towards creating a climate-neutral and climate-resilient society by 2050. This will entail a complete transformation of the European economy through the implementation of zero-emission technologies in all sectors and concerted action to prepare European societies for the more extreme weather events of the future.

This only makes sense when followed up globally. If Europe cannot persuade the rest of the world to follow it down this path, the enormous investment required to transform the European economy is unlikely to bear fruit: in a fragmented world, global emissions will remain too high. Many countries have not yet decided to develop and implement ambitious climate plans of their own, though, or perceive themselves as incapable of doing so. Additionally, the international uptake of climate-neutral technologies would drive down the technology's cost, also in the EU.

Hence, the EU will need use its external policy tools (trade, financial & technical support, carbon trading, infrastructure etc.) to encourage others to follow.

Over the past decades, the EU has defined several regional groupings of countries in its nearer and wider neighbourhood, and beyond it, and developed specific partnership programs for them. Within the closest circle are those non-EU countries that – as part of the European Economic Area – follow most of the EU rules and have access to many of the EU programs. These are developed countries that would almost certainly be eligible to join the EU, but choose not to do so. The countries that enjoy the second closest relations are the candidate countries, which are gradually implementing EU rules and have a more or less remote prospect of joining the EU. The third tier is made up of the six countries that are part of the European Neighbourhood Policy. These partner countries do not yet have a membership perspective but are allowed to participate in specific partnership programs (trade, support, travel, R&D, energy, ...). There are also special cases like Switzerland and the UK, which have bilateral negotiating relations with the EU. And finally, there is Russia, which is treated as a “strategic partner” with special dialogue formats.

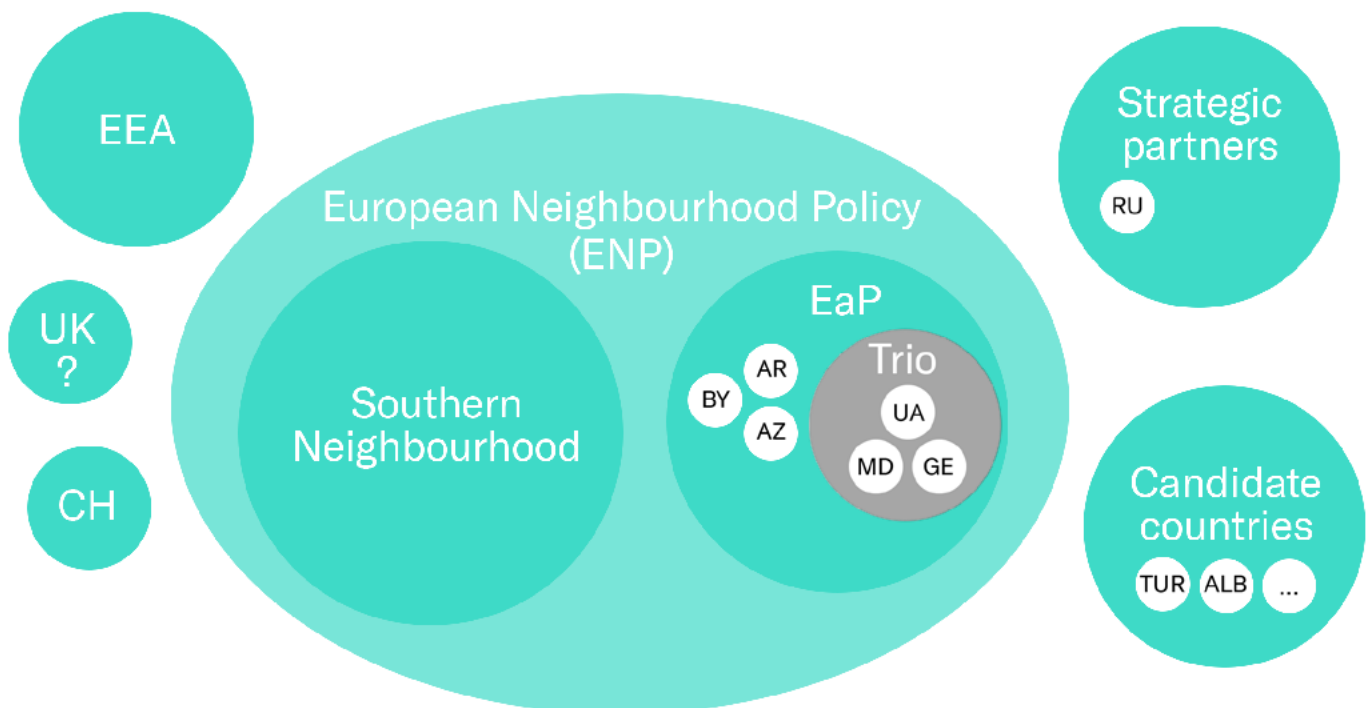


Figure 2: EU external action classifications of partners in the EU's geographic neighbourhood

In this paper, we will focus on the so-called “Trio” of Georgia, Moldova and Ukraine. These three countries take part in the “Eastern Partnership” (EaP) of the European Union. Whether the EaP offers some kind of “pre-candidacy status” that prepares for full accession or defines a “less-than membership status” for the foreseeable future has remained ambiguous since the EaP’s establishment in 2009. The Trio countries have set themselves apart from the other EaP countries by concluding far-reaching agreements with the EU. These include Association Agreements (AA), Deep and Comprehensive Free Trade Agreements (DCFTA) and membership in the Energy Community. Accordingly, these three countries have been moving towards increasing political, legal and economic integration with the EU, though there have certainly been setbacks along the way.

In other words, the Trio is a set of countries with very favourable views of the EU and with whom the EU has particularly strong leverage. The Trio is also a set of countries that face the same challenges that many other low- and middle-income countries, which are crucial for rapid global decarbonisation, are facing: among them a) high emission intensity, b) high capital cost, c) weak institutions, and d) limited political priority of climate policy. Taken together, these circumstances (i.e. the EU’s considerable influence plus the characteristic nature of the challenges faced) afford an excellent opportunity for the EU to both develop and showcase its climate diplomacy. If the EU’s internationalisation of the Green Deal is not successful in the Trio countries, it will struggle to achieve changes elsewhere.

In the following, we describe the status quo in the Trio countries with respect to relations with the EU, energy consumption, emission pathways and economic situation, as well as the estimated social and economic consequences of global warming for Georgia, Moldova, and Ukraine.

Second, we analyse mechanisms that are keeping the countries on their traditional path of economic development powered by fossil fuels. One key issue is the lack of a sense of urgency in the public, and the difficulty of accessing funding and expertise. The likelihood of effective action is extremely low if countries and societies do not perceive the problem as such and decide of their own free will to act on it. What is more, all three countries face a dire financial situation in the wake of the pandemic and ongoing geopolitical conflicts.

In Section 3, we present a framework for an EU “one-stop shop” for climate diplomacy, which is centred around a climate fund for each of the countries. The framework comprises several policy tools and support measures, among which the individual Trio countries can choose, with the overarching target of giving them the cultural, financial, and practical capacity to formulate and implement anti-pollution strategies.

2 Status quo and challenges for a low-carbon transformation in the Trio countries

2.1 EU relations

The Trio are the only Eastern Partnership countries that have signed the “Deep and Comprehensive Free Trade Agreement” (DCFTA). Since the DCFTAs came into force, the EU has become a large trading partner of Moldova (54 % of exports going to the EU), Ukraine (40 %), and Georgia (23 %), while the Trio’s trade with Russia has decreased significantly.

Between 2016 and 2019, EU-Ukraine trade grew overall by 48 % (to €43.3 billion) and EU-Moldova trade grew by 50 %. Over the same period, Ukraine’s share of imports from Russia has shrunk from 24 % to 9 % (EaP, [Robert Schumann Foundation](#), 2021).

Historically, the Trio had large industrial capacities (i.e. factories built in the Soviet era) concentrated in the basic materials sector, accounting for a substantial share of their exports today. The economies of many EU countries rely on these exports to a considerable degree. Ukraine exported a total of € 19.1 billion worth of goods to the EU in 2019. Ukraine’s main exports to the EU are agricultural products and (as one would expect, given the Soviet-era industrial concentration) metals, minerals, chemical products and machinery.

Like the basic materials, the agricultural products play an important role in Ukraine’s trade with the EU, with Ukraine being a major supplier of organic and bioproducts to the EU. Georgia’s exports to the EU amounted to € 1.6 billion in 2020 and included non-processed mineral, chemical and agricultural products, as well as base metals. Moldovan exports to the EU amounted to €1.8 billion in

2019 and included electrical machinery and equipment (notably insulated wire and cables), as well as fruits, apparel, clothing, and oilseeds (especially sunflower seeds).

The close interconnections between the EU’s economy and those of the Trio countries mean that a significant portion of the emissions of Ukraine, Georgia and Moldova stem from the production of goods exported to EU countries. In 2019, alone, for example, the EU imported 1.8 Mt of finished products from Ukraine, among them products from heavy emitters such as the iron and steel industry. Exports to the EU are of great economic importance for the Trio, particularly with the increase in trade with the EU in recent years.

The EU has been lending considerable financial support to the Trio and the other Eastern Partnership countries (Armenia, Azerbaijan and Belarus) in order to strengthen the economic interconnection of their economies and support its partner countries. During the 2014 – 2020 period, EUR 3.4 bn poured into the EaP from the EU, plus an additional EUR 1.4 bn for horizontal projects. The EU disbursed another EUR 1.1 bn for health measures and recovery in the EaP countries during the pandemic, plus EUR 1.4 bn of macro-financial support.¹ In addition, countries such as Germany and Sweden have provided substantial bilateral support to bolster Ukrainian reforms in energy and climate policy. Moreover, European (EIB and EBRD²) as well as national development banks (e.g. KfW³) have lent considerable funds to Ukrainian organisations and companies to modernise the energy sector and promote sustainability in its economy.

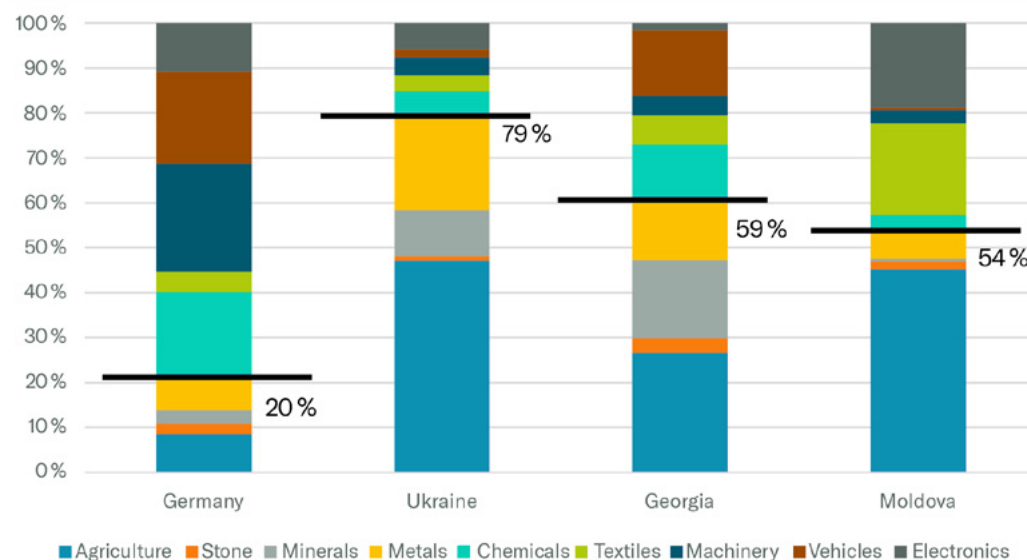


Table 1: Share of Agriculture, Raw and Basic Materials in total goods exports 2019

¹ EaP, Robert Schumann Foundation, 2021

² <http://ukraine-eu.old.mfa.gov.ua/en/ukraine-eu/eu-policy/assistance>

³ <https://www.kfw-entwicklungsbank.de/International-financing/KfW-Development-Bank/Local-presence/Europe/Ukraine/>

The EU's close economic, technical and political relations with the Trio countries mean that the EU enjoys considerable influence in the countries and that the European Green Deal will have strong impacts on their economies.

There is a strong desire for deeper interconnection on the recipients' side, as well: the Trio's foreign ministers recently wrote to EU Member States and to Brussels to suggest deeper cooperation on topics related to energy, digitalisation, the green economy and cyber security, as well as justice and security. Further, all Trio countries have Association Agreements with the European Union and are involved in the Energy Community, an international organisation comprising the EU and nine South-East European countries with the aim of aligning the energy policies of the latter with EU guidelines and standards. In addition to publishing "Annual implementation reports", in which it details the progress made by member states in re-structuring their energy systems, the Energy Community lends practical support for the development of new policies on energy markets, transparency regulations, etc.

In conclusion, the EU has significant leverage in the region with which to push its climate agenda:

- a) Due to the EU's position as a key export market for the region and the fact that the looming EU CBAM will make the export of products associated with high emissions to the EU more expensive.
- b) Due to the economic importance of bilateral aid from the EU and from EU countries in the region. It can be used both as a tool through which to exert political pressure and, if used for decarbonisation, to bring about direct change.
- c) Due to the direct influence that the EU has on the climate plans of the region thanks to the legal approximation between the Trio countries and the EU.

Ukraine, Georgia, and Moldova inherited highly energy- and emissions-intensive economies.

2.2 High energy- and emission-intensity, as well as decay of the Trio's industrial basis

Owing to their post-Soviet industrial structure, high average vehicle age and outdated waste management practices, Ukraine, Moldova, and Georgia all have relatively emissions-intensive economies. In 2015, Ukraine's carbon intensity as measured against GDP was 3.3 times that of EU28 countries and 1.9 times greater than the global average.⁴ Its greenhouse gas emissions per capita came in at 5.9 tCO₂e in 2018. Thanks to their less resource-intensive economies, Georgia's and Moldova's emissions per capita in 2018 amounted to 4.5 tCO₂e and 4.9 tCO₂e respectively.⁵

While average per-capita emissions across the EU27 in 2015 were 9.6 tCO₂e⁶, the most recent NDC commitment by the EU27 countries under the European Green Deal (-55% from 1990 levels), would bring EU27 per capita emissions down to 4.8 tCO₂e by 2030.⁷ Ukraine, Georgia, and Moldova, in contrast, are expected to reach per-capita emissions of 8.1 tCO₂e, 7.2 tCO₂e and 3.1 tCO₂e respectively by 2030 under their unconditional NDC scenarios. However, the baseline (or business as usual) scenario predicts even higher per capita emissions if the countries fail to pursue more ambitious climate measures.⁸

The largest portion of emissions produced by Ukraine result from non-combustion sources, including non-combustion industrial processes (in the country's important steel industry for example), agriculture and waste.⁹ Roughly one third of GHG emissions in the 2006–2015 period fall into this category. The energy industry (comprising power and heat generation plants) accounts for the second largest percentage of emissions in Ukraine, representing another third of GHG emissions from 2006 to 2015.

4 https://unfccc.int/sites/default/files/resource/Ukraine_LEDs_en.pdf

5 <https://www.climatewatchdata.org>

6 Own calculations, based on EEA – European Environment Agency, accessed on July 31, 2021, [Link](#)

7 <https://climateactiontracker.org/countries/eu/current-policy-projections/>

8 https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Georgia%20First/INDC_of_Georgia.pdf

9 EDGAR – Emissions Database for Global Atmospheric Research, accessed on August 19, 2021, [Link](#)

Much of the industrial capital stock of the Trio countries consists of fully depreciated assets, many of which are technologically obsolete and worn out. This capital needs to be refurbished or replaced soon. Industries are losing their competitiveness and are damaging the environment and public health. Industrial renewal would reduce environmental impacts while promoting economic growth.

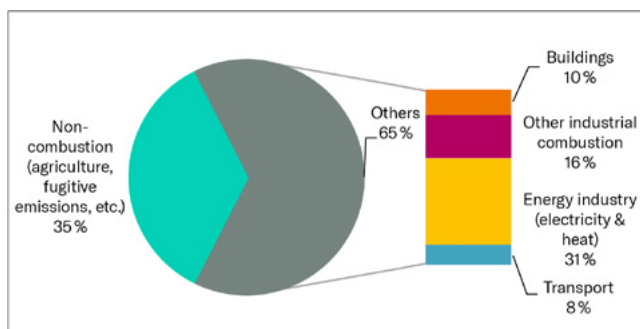


Figure 3: Ukraine, 2015: Per capita GHG emissions by sector, total: 6.5 t/year p.c. Source: EDGAR, 20218 ⁹

The situation in Moldova is similar to that in Ukraine: non-combustion sources account for the greatest percentage of emissions (40% in the 2006–2015 period) followed by the energy sector (30% of aggregate CO₂ emissions in the in the 2006–2015 period).

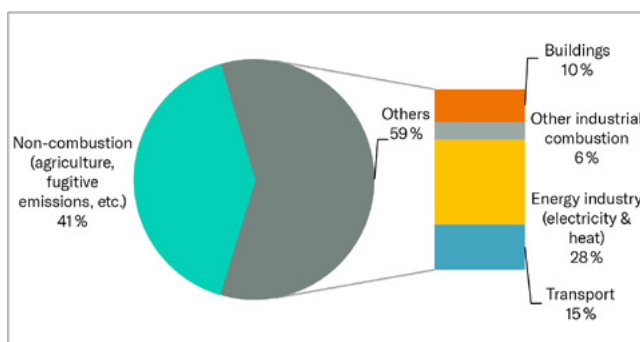


Figure 4: Moldova, 2015: Per capita GHG emissions by sector, total: 4.6 t/year p.c. Source: EDGAR, 20219

Energy sector emissions in Georgia are below those in the two other countries, as most of its electricity is produced from hydropower.¹⁰

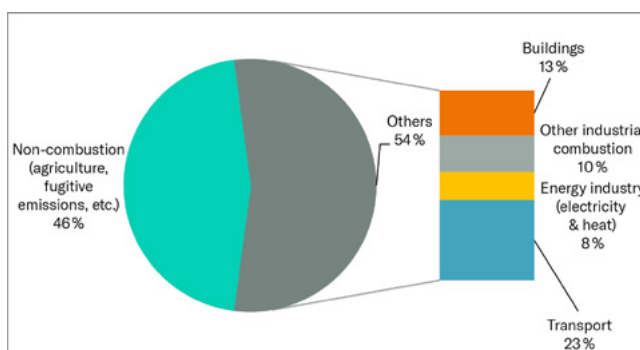


Figure 5: Georgia, 2015: Per capita GHG emissions by sector, total: 4.3 t/year p.c. Source: EDGAR, 202110

¹⁰ EDGAR - Emissions Database for Global Atmospheric Research, accessed on August 19, 2021, Link

¹¹ <https://www.oecd.org/eurasia/competitiveness-programme/eastern-partners/49467343.pdf>

The Trio's economies are highly energy intensive. Ukraine, for example, uses three-times more energy to produce one Euro of value added than the average industrialised country does.¹¹ Hence, Ukraine's economic competitiveness is highly dependent on global energy prices. To prevent short-term economic problems due to rising energy prices, domestic policymakers have tried to shield their energy-intensive industries artificially – through cross-subsidization and by not properly pricing externalities (such as GHG emissions). Over the long term, however, artificially low domestic energy prices aggravate the problem of low energy efficiency. Another pressing issue is the modernisation of the existing capital stock across all economic sectors.

After the collapse of the Soviet Union, industrial capital became concentrated in the hands of relatively few individuals. These private owners tend to use their powerful positions in the media, politics and the legal system to protect profits, ensuring that their business receive preferential treatment (e.g., cheap electricity and transport services) and protecting them from new competition. This reduces the incentives for businesses to modernise their industrial facilities. Yet, modernisation would increase efficiency and long-term profitability, in addition to reducing emissions through the introduction of cleaner technologies and diminishing negative externalities affecting public health in the Trio countries that are caused by air pollution and other hazards.

Low levels of ambition with regard to action to mitigate climate change and protect the national environment in Trio countries.

2.3 Incomplete energy sector reforms

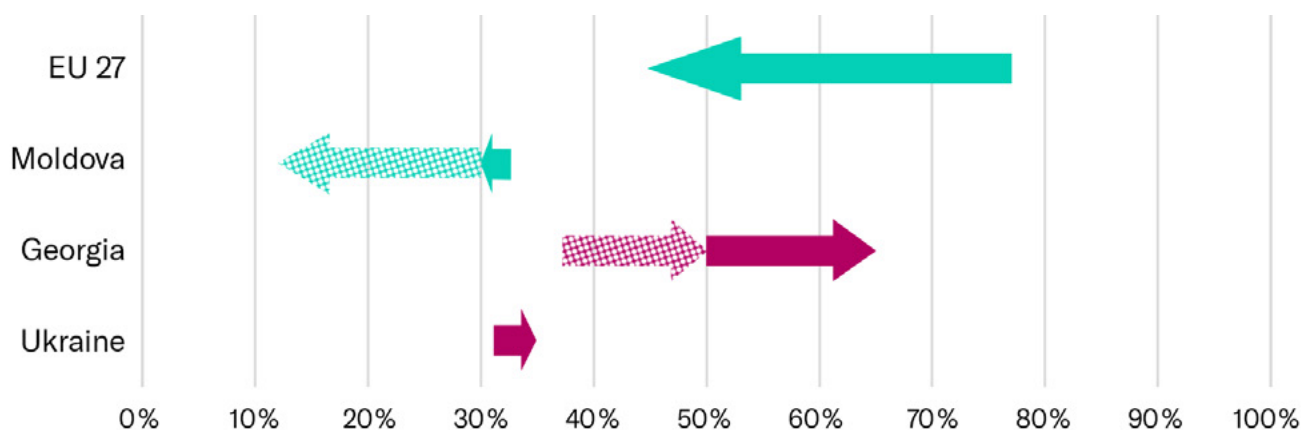
As the Trio countries focus on economic growth, their energy and emission strategies only play a minor role in practice.

Ukraine's projected emission reductions based on current policy trends outlined in its 2050 Low Emissions Development Strategy are "critically insufficient" with regard to the Paris Agreement. Ukraine currently falls into the group of countries whose Paris Agreement targets are so weak that they could be reached with little to no effort. Even the country's newly accepted second NDC does no more than broadly stabilise emissions (shown in the chart below). Irrespective of theoretical targets, Ukraine urgently needs to make progress on pressing matters such as phasing-out coal, the reform of its electricity market and reliably scaling up renewable energy.

Figure 8: Emission targets based on NDC submissions: Targeted reduction/increase in annual GHG emissions for 2015 – 2030 under most recent NDC (expressed as percentage of 1990 emissions levels)

Note: Solid arrows represent unconditional target, solid + chequered arrows represent conditional target; Exception: For Georgia, solid + chequered arrows represent unconditional target, checkered arrow represents conditional target.

Sources: UNFCCC, 2021¹²; EDGAR, 2021¹³; EEA, 2021¹⁴; own calculations



¹² UNFCCC interim NDC Registry, assessed on August 11, 2021, [Link](#)

¹³ EDGAR - Emissions Database for Global Atmospheric Research, assessed on August 19, 2021, [Link1](#), [Link2](#), [Link3](#)

¹⁴ EEA - European Environment Agency, assessed on July 31, 2021, [Link](#)

Energy dependence of Ukraine and Moldova on Russia remains high.

Environmental protection and climate have never been priorities for the government in Moldova. The country's current NDC target, as we see in the chart, is a three percentage points decrease in GHG emissions between 2015 and 2030 (in percentage points of 1990 emissions), though the conditional target, a 22 percentage point reduction, is more optimistic. In the past, incentives to change were mainly pushed by development partners. The situation worsened after the reform of central public authorities in 2017, which involved a merger of the Ministry of Environment, Ministry of Agriculture and Ministry of Regional Development. Merging the institutions responsible for environmental protection with those in charge of the most polluting sectors has cut off any avenues that might have been used to protect the environment. Civil society have had little to no success in changing the status quo.

Decision-makers and businesses in Georgia also consider environmental protection and climate resilience as secondary to stable economic growth. The country's NDC target for 2015–2030 allows for a 28 percentage point increase of GHG emissions (in terms of 1990 emissions), a stark contrast to the 32 percentage point decrease targeted by the EU27. Georgia's negotiations with the EU on a common Green Deal strategy are characterised by a poor understanding of how the country could benefit from adopting parts of the EGD itself and of the impact that the EGD will have on Georgia's economy. Georgia's energy system reforms also have yet to take on sufficient speed and traction. For instance, Georgia has yet to transpose the Energy Community rules relating to large combustion plants' emissions into its regulatory framework, despite operating four such plants, although it has recently issued some strategic documents, such as the updated NDC. Furthermore, the country still does not have a 2030 development strategy or action plan for its energy sector, and what documents it does have do not focus on energy efficiency, decoupling the energy system or promoting sustainable consumption of electricity. Georgia also lacks a mechanism to provide expert research and advice to policymakers when taking critical and strategic decisions on the energy system.

Historically, the Trio countries have been closely inter-linked both politically and economically with Russia, having been in their big neighbour's sphere of interest for some time. As outlined earlier though, trade patterns in the region have undergone significant transformations since the dissolution of the USSR, and the Trio have gained greater political and economic independence as their economic options have diversified.

Nonetheless, Ukraine continues to rely on gas and oil imports from Russia, despite having relatively big reserves of natural gas of its own. Russian imports account for 83% of Ukraine's oil consumption, 33% of its natural gas consumption and 50% of its coal consumption. Some of Ukraine's coal and petroleum imports even stem from Donbas and other temporarily occupied territories. Moreover, Ukraine gets around 60% of its nuclear fuel from the Russian company TVEL, and sends the spent fuel back to it. The country also remains a major transit route for Russian gas exports to the EU.

Unlike Ukraine, Moldova has no domestic production of natural gas and relies entirely on pipeline imports from Russia (running through breakaway region Transnistria), which accounted for 40% of its total primary energy supply in 2012. The Iasi-Ungheni gas pipeline between Romania and Moldova, which was commissioned in August 2014 and went into operation in 2015, provides an alternative for Russian natural gas imports. Like Ukraine, Moldova's geographic position makes the country an important transit route for natural gas from Russia to south-eastern Europe.

Unlike Ukraine and Moldova, Georgia has been less dependent on Russian imports after a major gas cut in 2006. For instance, electricity imported from Russia accounted for only 4% in 2019, while natural gas imported from Russia made up a 1.7% share of total gas consumption in 2018.

15 <https://www.oecd.org/eurasia/competitiveness-programme/eastern-partners/49467343.pdf>

16 <https://www.transparency.org/en/cpi/2020/index/ukr>

17 <https://www.imf.org/en/Publications/WP/Issues/2021/04/23/Assessing-the-Macroeconomic-Impact-of-Structural-Reforms-in-Ukraine-50345>

18 <https://tradingeconomics.com/ukraine/ease-of-doing-business>

19 <https://www.imf.org/en/Publications/CR/Issues/2017/04/04/Ukraine-Selected-Issues-44799>

20 <https://www.oecd-ilibrary.org/sites/986fb125-en/index.html?itemId=/content/component/986fb125-en>

21 <https://www.imf.org/en/Publications/CR/Issues/2020/03/17/Republic-of-Moldova-Staff-Report-for-the-2020-Article-IV-Consultation-and-Sixth-Reviews-49272>

22 <https://uafata.org.ua/en/>

23 <https://www.eib.org/en/products/mandates-partnerships/donor-partnerships/trust-funds/eastern-partnership-technical-assistance-trust-fund>

24 https://www.researchgate.net/publication/325791215_The_Eastern_Partnership_-_A_Challenge_for_the_EU%27s_Soft_Power_in_International_Relations

25 <https://www.alnap.org/system/files/content/resource/files/main/alnaplessonsfoodpricecrisis.pdf>

The Trio's financial resources are low, capital costs are high and serious structural shortcomings inhibit improvements. This grants legacy business monopolies large influence over policy decisions and leads to myopic decision-making.

2.4 Institutional weaknesses

In the 2000s, Ukraine's economy grew at an unprecedented rate, among the highest in Europe. Foreign direct investment (FDI) expanded by 44 % on a yearly average, reaching \$11 billion in 2008. However, the global economic crisis, which hit the country in 2009, cut FDI inflows by more than half and left the country's competitive advantages, such as strategic location, skilled labour force and vast areas of arable land, untapped.¹⁵ An exceptionally high level of corruption continues to be one of the biggest obstacles to accessing capital in Ukraine. Transparency International's Corruption Perceptions Index ranked Ukraine 117th out of 180 countries in 2020, the second lowest rating received by a European country, after Russia.¹⁶ This has had a significant impact on Ukraine's economic growth, especially with respect to the inflow of FDI. Access to capital is also restricted by the lack of strong and independent institutions.¹⁷ On paper, the country has made significant progress in implementing reforms and policies, allowing the country to move up 78 places in the World Bank's Ease of Doing Business Rank in only 10 years: Ukraine ranked 64th of 190 countries in 2019.¹⁸ The country is still facing significant challenges, though, including a high concentration of political and economic power. This is at once a result of widespread corruption and an obstacle to effective anti-corruption efforts.¹⁹ Lastly, Ukraine's reform ambitions are overshadowed by the unstable political situation in the eastern part of the country. All these challenges result in low levels of political ambition and high capital costs for investing companies. Domestic bank lending rates ranged between 12 % and 18.5 % in the 2010 – 2020 period. Companies with access to international capital markets also faced high interest rates and had to bear additional exchange rate risks. Due to these risks, lending tended to be short-term, with a maximum financing period of five years. Unfortunately, many of the changes required for structural decarbonisation require long-term investments.

As it is in Ukraine, corruption, still deeply rooted in Moldova, is impeding the country's efforts to attract FDI. Transparency International ranked Moldova 120th out of 198 countries in its 2019 Corruption Perceptions Index.²⁰ Moreover, the country's track record of state expropriations of both domestic and foreign-owned assets, justified as being in the public interest, results in even lower FDI flows. Moldova is also characterised by a low average productivity, as sectors with low productivity (e.g. agriculture) account for a large share of the economy. Low productivity, coupled with insufficient levels of investment, hinders the country's prospects for growth.²¹ Other issues

arise from the persistently low levels of public investment. For instance, Moldova has less public capital than any other country in Europe, and the country's infrastructure has not been properly integrated with regional supply chains for years. The availability of private investment is hindered by an unstable business environment similar to that in Ukraine: lack of competition, significant human capital gaps, insufficient access to domestic and international capital markets, as well as the legacy of fraud concerning the provision of credit. The lack of competition results, in turn, in an inefficient allocation of resources. Moldova was ranked 48th out of 190 countries in the 2019 Ease of Doing Business Rank by the World Bank.²² The country, which exports predominantly low value-added goods, also has a trade deficit.

Unlike Ukraine and Moldova, Georgia has successfully upgraded its economic management and governance systems. Institutions in the country are perceived as considerably less corrupt according to the Transparency International Corruption Perceptions Index (44th out of 198 in 2019).²³ Recently introduced reforms helped Georgia to attain 7th place in the ranking of 190 countries in the World Bank's 2019 Ease of Doing Business ranking.²⁴ However, the country still suffers from insufficient education and training levels, particularly with respect to private sector needs. Also, its exports lack diversification and volume, which hinders the structural transformation of the economy. Georgia continues to attract significant amounts of foreign direct investment (FDI). Yet around one fifth of companies in the country consider access to finance a significant obstacle to business operations.²⁵

2.5 Climate change will have serious impacts on the Trio countries, but level of concern in the population is low

Ukraine's climate is changing, and drastic weather fluctuations in the country are becoming more frequent. The temperature in Ukraine is predicted to rise by 0.5–1°C by 2050. Flooding on the coastline and in the mountains has increased in frequency and has had dramatic economic and social impacts, such as those observed during the state of emergency in western Ukraine in June 2020.²⁶ Due to its inherently high agricultural potential, 69% of the country's land area is used for agriculture (6% of which is irrigated). Soil loss from erosion represents a major challenge for the agriculture sector, as the estimate costs associated with soil erosion amount to one third of the agricultural GDP each year. Droughts now occur on average once every three years and have a significant impact on world food prices. This effect was demonstrated during the decline in the world's cereal production for two successive years in mid-2000.²⁷ Forest fires have become more frequent over the past decades, threatening both domestic and European populations of plant and animal species (Ukraine hosts 36% of Europe's biodiversity). Forest fires also pose serious human health risks, as observed during the recurring fires in the Chernobyl region. Heatwaves, coupled with a housing stock unsuited to withstand extreme temperatures, significantly increase the risk of heart failure, which alone accounts for 48% of deaths in Ukraine.

The predicted temperature rise in Moldova of 2–3°C by 2050 is significantly higher than that projected for Ukraine.²⁸ Seven out of the ten warmest years in Moldova's history have occurred within the past two decades. The country used to have short, mild winters and warm summers – favourable for farming in the rural areas, which are home to almost 60% of the population. The economic importance of agriculture leaves the country highly vulnerable to climate variability. The erratic weather patterns in the last few decades have severely affected poor rural regions in particular. Key changes include an increase in the severity of droughts and storms, a shift in seasonal rainfall patterns, declining rainfall and an increase in hail and late spring frosts. The drought in 2007 affected roughly 75–80% of the population, and the 2008 floods caused by torrential rains resulted in around \$120 million of damage to households and infrastructure elements and flooded 7,500 hectares of agricultural land. Loss of life and

The urgency of the threat posed by climate change is perceived as low by Trio populations, despite the increasing frequency of natural disasters and harmful heatwaves.

income, as well as rising food and energy prices, are common outcomes of such cataclysms. Surface flows of the country's water resources are also predicted to decrease by 16–20% between 2020 and 2029 due to changing weather patterns. The depletion of surface water resources is cause for particular concern, as well, given the country's limited groundwater reserves and that large areas are already plagued by water shortages. As in Ukraine's case, climate change is already having both direct and indirect negative impacts on public health, including an increase in respiratory and circulatory infections, the exacerbation of heart conditions, malnutrition in rural areas and food energy deficiency.

In Georgia, the temperature is predicted to rise by 0.8–1.4°C by 2050.²⁹ Rising temperatures have put the country's water security at great risk. Georgia has more glaciers than any other country in the Caucasus, and they constitute an important source of water. However, glacial coverage has been shrinking gradually in recent years and is predicted to disappear completely by 2160. The melting of glaciers greatly affects electricity generation in Georgia, where hydropower plants generate more than 80% of the electricity supply. Hydropower generation is particularly sensitive to climate variability, as it is partially driven by the glacier-fed rivers, which are projected to decrease significantly in volume and surface area over the coming decades. The increasingly frequent droughts also reduce hydropower yields and have caused power shortages throughout the country. Global warming is also threatening the tourism sector, which plays an important economic role in Georgia, accounting for around 25% of GDP and over 20% of employment. In the past few decades, the increasing risk of natural disasters in popular tourist destinations for skiing, hiking and swimming has caused great economic losses in this sector. Like Moldova and Ukraine, Georgia's economy is also highly reliant on its agricultural sector, which employs about 50% of the population and constitutes a source of livelihood for the majority of the lower-income population. The agriculture sector has been suffering from an increasing frequency, intensity, and severity

26 <https://reliefweb.int/disaster/ff-2020-000156-ukr>

27 <https://www.alnap.org/system/files/content/resource/files/main/alnaplessonsfoodpricecrisis.pdf>

28 https://www.climate-links.org/sites/default/files/asset/document/2017_USAID%20ATLAS_Climate%20Change%20Risk%20Profile%20-%20Moldova.pdf

of floods, as well as droughts, which, though less frequent, cause even greater economic losses. A drought in 2000 inflicted around \$460 million worth of damage on the sector. Soil erosion, changes in evaporation and runoff, deforestation, land degradation, heavy precipitation events that damage crops, as well as land- and mudslides also contribute greatly to decreasing yields in the agriculture sector. The public health impacts of climate change in Georgia are visible in an increasing incidence of vector- and waterborne diseases and in the aggravation of existing health problems among people suffering from cardiovascular and chronic respiratory diseases, and other diseases.

Despite these pressing challenges presented by global warming, the sense of urgency in the population is muted. The relatively low level of public interest in the topic is not strong enough to drive politicians to act. The results of the People's Climate Vote of 2021²⁹, the world's biggest survey of public opinion on climate change, indicated that the percentage of the population of the region of "Eastern Europe and Central Asia" who believe that climate change is an emergency is second only to that of "Western Europe and North America". At first glance, this looks promising: 68% of the Georgian population recognises the climate emergency, as does 50% of the Moldovan population. Yet, only 64% of those in Georgia who believe that climate change is an emergency also believe that their country should take the necessary action to combat it, and in Moldova this figure is even lower, at 55%. Thus the percentage of these populations that are willing to take urgent action is considerably smaller than those in Western countries. The strongest support expressed in "Eastern Europe and Central Asia" was for policies aimed at forest and land conservation, followed by policies aimed at increasing the use of solar, wind and renewable power, then those aimed at climate-friendly farming and finally those promoting the use of electric vehicles and bicycles. The survey's results also revealed a strong correlation between awareness of the climate emergency and respondents' level of education. They also showed that there are pronounced gender gaps in Eastern Partnership countries, with men more likely to see climate change as an emergency than women and girls. The survey results for Ukraine are still being compiled.

2.6 Current EU-Trio cooperation

Firstly, the Trio countries are embedded in a web of different cooperation and support agreements not only with the EU but also with many of its member states and their ministries and agencies. Just to name a few examples: Germany's development agency alone has several hundred staff members in Ukraine, the European Investment Bank supports agriculture projects in the country,³¹ individual countries including Austria and France set up a separate EaP support fund,³² etc. While the development aims of the European supporters are broadly aligned and some autonomy on the part of the individual projects is important for their effectiveness (as these might otherwise be tied up in bureaucratic meta-coordination rounds), the lack of a common strategic vision does impair the effectiveness of the support programmes.

The current EU diplomacy towards the Trio countries lacks a clear strategy and coordination between different actors and has not achieved its original policy targets despite a considerable shift in the structure of the countries' trade with the EU.

²⁹ <https://www.undp.org/publications/peoples-climate-vote>

³⁰ <https://www.eib.org/en/products/mandates-partnerships/donor-partnerships/trust-funds/eastern-partnership-technical-assistance-trust-fund>

³¹ <https://www.eib.org/en/products/mandates-partnerships/donor-partnerships/trust-funds/eastern-partnership-technical-assistance-trust-fund>

2.7 Summary of shared and different challenges

Secondly, the so-called “soft power approach” has not delivered the desired results with regard to democratisation and economic reforms hoped for at the beginning of the Eastern Partnership.³² Partner countries have often obtained the promised support despite not having fulfilled their part of the arrangement. The EU’s future interaction with the EaP countries will be shaped by a more “hard-power” and sanction-based approach, already outlined in the EU’s Global Strategy adopted in June 2016³³ and once again in the working paper on post-2020 priorities of the EaP.³⁴ This will require the development of meaningful, appropriate and realistic conditionalities, including reduction of support by all partners (i.e. if one partner has to trigger its conditionality, others should not step in to fill the gap), trade measures, and finally the stop of integration steps (e.g. on power system integration).

A third obstacle hindering many useful initiatives is a lack of local capacity to adopt the measures agreed with the EU. This regularly leads, for example, to an insufficient implementation of climate change-relevant legislation.³⁵

The institutional weakness, combined with a tendency towards personalised policymaking, also limits the possibility for stringent follow-up on the results and outcomes of a specific form of cooperation. The organisations in the partner countries are often not well-positioned enough to control and communicate the results themselves, while the high turnover in partner countries’ ministries and agencies leads to individuals being responsible for the execution of individual projects changing their position and hence not being responsible any more. Therefore, cooperation projects often tend to focus on inputs in terms of funds disbursed and laws drafted, but less on actual outcomes.

As this section has shown, there are several factors pushing the Trio countries towards reducing GHG emissions and protecting the environment by modernizing and changing their industries, their housing stock and their energy production:

1. The high economic, social and political interlinkage with the EU. The EU is the main trade partner of all Trio countries, many of their citizens live in the EU and official meetings and political agreements among the four parties are myriad. This means that the changes in the EU that the European Green Deal looks set to bring will directly impact a) the demand for “green” products from the Trio, b) public discussions on climate change and environmental protection in the Trio countries and c) the political context in which its politicians operate.
2. The current high demand for energy, and the reliance specifically on Russia to fulfil this demand in the form of coal, oil, natural gas, electricity, and nuclear fuel.
3. The general need to update the aging infrastructure, which is not only inefficient but also at risk of breaking down completely due to its advanced age.
4. The social and economic consequences of the increasing frequency and severity of natural disasters, such as floods, heatwaves, and droughts.

Each of the Trio countries also faces challenges related to its own specific issues and circumstances. While Ukraine’s industrial emissions are particularly high, both Georgia and Moldova face more direct challenges such as protecting biodiversity, limiting air and soil pollution from transport and agriculture, etc. Meanwhile, Ukraine faces far greater needs for renewable electricity generation than Georgia, which is already producing over two thirds of its electricity from hydropower, although Georgia is also dependent on electricity imports, which cover 12% of its electricity demand. Moldova, for its part, receives ca. 80% of its electricity from a natural gas-fired plant in the breakaway region of Transnistria. Also, the three countries have quite different economies to work with, with Ukraine depending more on old industrial assets, while Moldova and Georgia rely more on agricultural assets and, in Georgia’s case, on tourism.

The countries also have different needs when it comes to tackling corruption. Until 2012, Georgia was hailed as a poster child of anti-corruption efforts, as it swiftly climbed up the ranks of Transparency International’s anticorruption index. However, it has barely improved at all since then (it ranked 45th in 2019). Ukraine currently

32 https://www.researchgate.net/publication/325791215_The_Eastern_Partnership_-_A_Challenge_for_the_EU%27s_Soft_Power_in_International_Relations

33 https://www.researchgate.net/publication/325791215_The_Eastern_Partnership_-_A_Challenge_for_the_EU%27s_Soft_Power_in_International_Relations

34 https://eeas.europa.eu/sites/default/files/swd_2021_186_f1_joint_staff_working_paper_en_v2_p1_1356457_0.pdf

35 <https://eap-csf.eu/wp-content/uploads/EaP-CSF-Policy-Paper-on-Environment.pdf>

36 “On the fringes of the European peace project: The neighbourhood policy’s functionalist hubris and political myopia”, February 2017, *British Journal of Politics & International Relations* 19(1):63-76, Sandra Lavenex.

37 The term has been borrowed from Germanwatch, 2021 ([Link](#)). In this chapter, we build on the general idea of Germanwatch but develop and concretize the proposal. Furthermore, we underline that such partnerships should ideally be developed not on the member state level but by the European Commission.

ranks 117th, Moldova 115th. Ukraine's parliament established a "High Anti-Corruption Court" in 2018 to combat corruption; despite serious challenges this court is set to have a considerable impact on the country's environment of graft and bribery.

However, pervasive corruption is not the only factor hindering progress on environmental and climate issues in the Trio countries. They must also overcome the following challenges :

1. A failure to perceive the potential for global warming to have devastating economic, social and health impacts on the Trio countries.
 - a. Both workers and business owners tend to see eco-modernisation and the European Green Deal as "green fashion" rather than as a transformational force for long-term sustainable growth.
 - b. The great political influence of domestic business interest groups gives this factor considerable weight.
2. The lack of financial and institutional capacity for financing and implementing green projects
3. Frequent changes of government and other sources of policy uncertainty result in elevated bank lending rates ([World Bank 2020](#): Ukraine: 14 %, Georgia: 12 %, Moldova: 8 %)
4. The same uncertainty renders long-term planning more difficult for both businesses and policy makers – lending periods are often capped at five years.

In short, the countries have an ample commitment problem. They a) struggle to actually fulfil their targets and b) once they manage to implement a policy, investors generally do not acknowledge the achievement. Thus, if the EU wishes to support the Trio countries to embark on a both more environmentally friendly, socially acceptable, and economically more prudent path, it should attach well-targeted and monitored conditions to its support. Applying conditionalities could serve as a signal to both investors and policy makers to plan in longer-term horizons, as these would give rise to greater confidence that governments would fulfil their pledges.

However, the evidence shows that conditionality is not successful in the absence of local "preconditions", i.e. the actual willingness to act in the recipient countries. The assumption that conditionalities could change a country's policies has even been described as "functionalist hubris and political myopia".³⁷

Therefore, we propose a support framework that takes into account both the underlying challenges shared by the Trio countries and the individual challenges and circumstances specific to each of them, as well as the need to change the perception of global warming and of the business opportunities in the countries: **An external European Green Deal "à la carte"**, offered by the EU to its partner countries, first and foremost to the Trio countries Georgia, Moldova and Ukraine.

3 Paris partnerships "à la carte" – towards an effective European climate diplomacy

Instead of further expanding competing bilateral initiatives from EU member states, and even sometimes from competing ministries of individual member states, we propose to provide a framework for a European climate diplomacy. This external dimension of the European Green Deal should be given a more prominent role in the European climate architecture. The individual elements of this European climate diplomacy would be strategic *Paris partnerships*³⁸ – support frameworks, intended first and foremost for the European Neighbourhood countries, including the Trio countries and potentially interested Southern Neighbourhood countries, with the prospect of expansion to other countries beyond the immediate neighbourhood.

While recognising that every country faces unique challenges and that one size does not fit all, it would be prudent to make use of the similarity in structural challenges currently preventing more ambitious climate policies in the neighbourhood countries. This European climate diplomacy would ideally arrive as a set of options for cooperation, all linked to the partner countries' commitments to the Paris Agreement, either in the form of an updated, more ambitious NDC or an existing, sufficiently ambitious conditional target set out in a current NDC. Thus, we propose that member states task the European Commission to draw up a set of well-designed Paris partnership options that partner countries could choose from – an external European Green Deal "à la carte". These elements should be designed to allow adequate flexibility to accommodate the specific needs of the individual countries while still reflecting the similarities in their underlying structural problems and thus ensuring

³⁸ The term has been borrowed from Germanwatch, 2021 ([Link](#)). In this chapter, we build on the general idea of Germanwatch but develop and concretize the proposal. Furthermore, we underline that such partnerships should ideally be developed not on the member state level but by the European Commission.

that possible synergies between the partnerships can be tapped. The centralised programme design avoids political favouritism as well as donor competition, factors which might otherwise weaken the effectiveness of the partnerships.

We suggest that these partnerships be established at an EU level to ensure a consistent long-term strategy to guide support and agreements with partner countries. A strategy of this kind would make it much easier to design projects that produce value for money and allow them to be assessed in terms of how well they contributed to the strategic aims. Some agreement among donors with regard to the conditionalities (which must be in line with the strategic vision) that they impose on the partners would amplify the leverage associated with European support that can be used to nudge the partner along this pathway – and it would help donors to avoid being drawn into a bidding war for the lowest conditionalities. The formulation and coordination of such a strategic vision and appropriate tools should be the first priority for a successful foreign arm of the EGD.

The centre piece of every Paris partnership option would be a **national climate fund** of varying amount, to be co-financed both by a domestic emissions pricing system and matching EU funds. We have several reasons for proposing a climate fund as the core of the Paris partnerships:

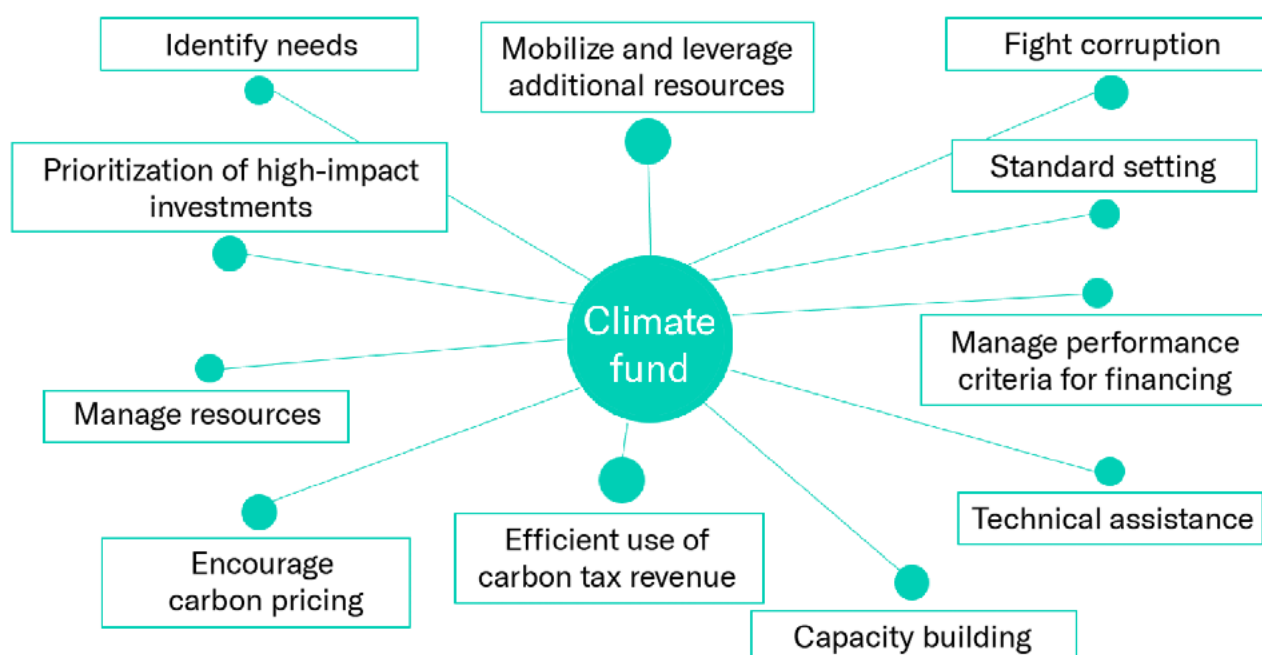
First of all, a climate fund can streamline low-carbon investment by channelling funding into investment projects that have been identified as important, e.g. under the new NDCs of the countries (prioritisation argument), and those projects for which funding is hardest to secure without policy support (targeting argument). It recognises the difficulty of accessing capital for long-term low-carbon investments in the partner countries

(capital access argument). A climate fund would enable long-term access to capital, thus addressing the problem posed by the typically short-term lending periods currently in place (maturity mismatch argument). Its main goal would be to create financing conditions under which the private sector can realistically undertake the investment necessary, e.g. through blended finance, loan guarantees and, potentially, grants. The long-term commitment of the EU and the partner country to a Paris partnership and the seed finance from the fund would increase policy certainty and reduce equity-risk and credit-risk premia, thus reducing the cost of capital (capital cost argument).

Importantly, linking the EU's financial support for a national climate fund to clear policy conditions would make the Paris partnership a **commitment device** for the partner country. The offer of a choice of Paris partnership options would provide the countries both with an additional *incentive* to commit to effective and long-term climate action and with the *ability* to do so. By entering into an agreement with the EU, the countries could overcome political short-termism and issues with credibility of long-term policy commitments (time consistency argument), as well as internal political obstacles to effective climate action, both within the government ('tipping the balance' in favour of reformers) and domestic interest groups (by changing their incentive structures). Furthermore, commitment to conditionalities from the chosen Paris partnership option could also serve the partner countries as a way to "signal their type" to investors and capital markets, with the Paris partnership serving as a "seal of approval" from the EU (signalling argument).³⁹

39 This section draws on insights from Dreher, A. (2009). IMF conditionality: theory and evidence. *Public choice*, 141(1-2), 233-267. While important differences exist between climate finance and macro-financial assistance (MFA), some lessons can be learned from conditionalities in MFA programmes such as from the IMF.

Figure 9: Benefits of a climate fund



Ideally, the size of the EU contribution to the national climate fund would be determined by two criteria:

First, it would depend on the sources of the financing the partner country is willing to commit. This commitment could come in the form of **domestic carbon tax revenues or emissions allowances auction revenues**. This would provide an important incentive for partner countries to introduce meaningful carbon pricing – because they would receive a certain amount of matching funds from the EU for their national climate fund for every euro generated in carbon tax revenue. Thus, the ambitiousness of a partner country's carbon pricing would directly determine the level of the EU's financial support.

Second, the size of the fund would depend on the ratio at which the EU commits to match domestic funds. For instance, should it commit to a 1:1 match, the EU would contribute one euro for every euro of domestic funding; given a 1:2 match, it would contribute fifty cents for each euro of domestic funding and with a 2:1 match, it would contribute two euros for each euro of domestic funding. The ratio would be determined ex-ante based on the country's overall climate commitment (enshrined in an updated NDC and supported by concrete policy measures anchored in the Paris partnership). The more ambitious a country is in its updated contribution is, the more generous the matching ratio could be.

The national climate fund would be used to support the policy measures identified as key transformations and agreed to in the partnership agreement. These could be as diverse as commitments to specific renewable energy auction quotas or banning the disposal of untreated municipal solid waste in landfills. Clear red lines triggering the discontinuation of funding should be defined by the EU Commission in advance so that the partner country could credibly commit to the actions outlined in the Paris partnership. Ideally, a country could choose any of the available support measures it would like, but it would have to fulfil a number of ex-ante conditions before it could receive the support from the fund and the technical EU support for the implementation of the individual project (see Table 2).

Yet, action and change are unlikely without the backing and support of the population of the partner country itself. Thus, good governance, anti-corruption, and skills-building, embedded in the existing institutional framework, are all very important.

Naturally, good governance and democratic accountability would be key to the success of any climate fund. Typically, the governance of a national climate fund involves a governing board or steering committee, made up of representatives of the government departments involved and from the donor institutions. This governing board draws up the broad guidelines. There is also an operational team including an administration/secretariat that manages the activities of the fund and a technical or expert council that provides input on project appraisal and a fiduciary trustee in charge of the finances. The European representatives in the decision-making steering committees should be legitimised by the European Parliament. Furthermore, we suggest that technical assistance and capacity-building should be a key feature of the climate funds: Technical experts from the EU and the partner countries should be embedded in the fund ready to support recipients with technical assistance to implement fund-supported projects.

Lastly, we deem the experts of the Energy Community to be in the best position to assess the extent of fulfilment of the conditionalities attached to the fund as well as those attached to individual projects. The Energy Community is already present in and working closely with all Trio countries' energy and environment ministries.

With domestic momentum, there is a good chance to improve the elements of the partner countries' regulatory and legislative environment that are relevant for the energy transition, such as market reforms for electricity and gas markets, replacement of general subsidies with well-targeted support, agricultural reforms, monitoring, reporting and verification systems.

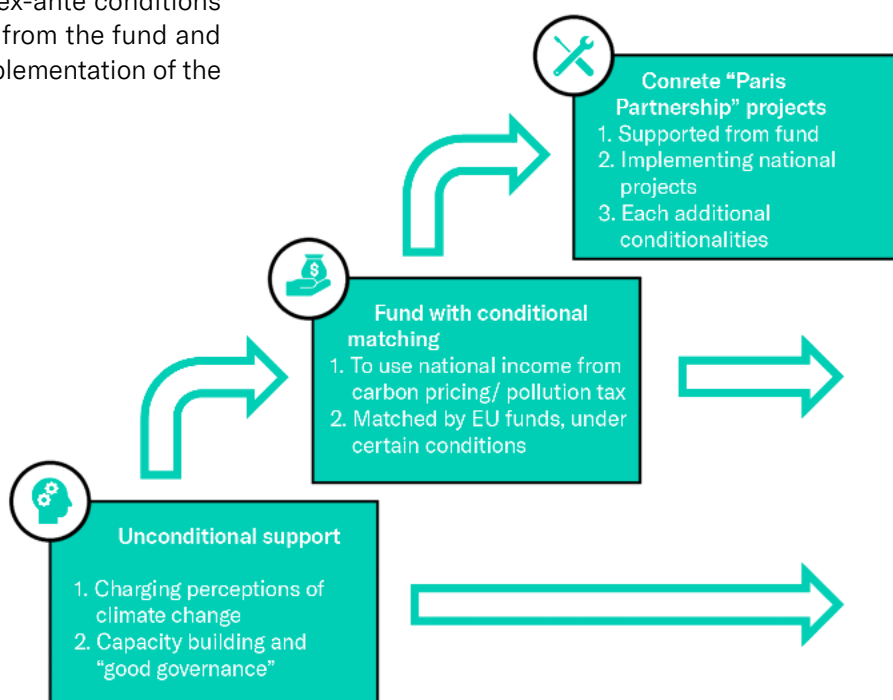


Table 2: Potential ideas for the concrete „Paris Partnership“ projects to be offered to partner countries, each project with own conditionalities

Problem	Technical solution	Ex-ante condition	Add'l condition	Role of fund	Technical EU support
High energy need	Energy efficiency measures	Ambitious EE targets and action plan	Establ. of functioning energy efficiency agency	Financing of EE in buildings and industry	Help steer projects and set up energy efficiency agency
High energy dependency on Russian Federation	Electricity grid integration with EU	Functioning market, independent regulator		Financing of interconnections/grid steering technology	Support setting up a functioning electricity market, include Ukraine in own electricity grid simulations
High CO ₂ intensity of electricity - few RES	Build RES, connect to grid	Proper electricity sector governance, High targets and action plan, supported by electricity grid analysis and development scenarios to understand need for flexibility, balancing, etc.	Use of market-based auctions and other market-based tools	Drive down financing costs for new RES	Help steer individual RES projects and set up sector governance
Crumbling industrial infrastructure	Renew facilities, apply new tech	Align economic policies to EU standards, labour market policies,	Fund for private companies disbursed acc. to economic viability, not political targets	Drive down financing costs for new tech and infrastructure	Support educational measures to train workforce in new technologies
	Hydrogen export	Proper certification scheme, plan for electricity sourcing and for providing enough electricity for other (national) consumers)		Drive down financing costs	
High transport emissions, old vehicle stock	Renew stock, construction of / improvements in public transport infrastructure	Set high targets for public and private transport emissions, as well as for public transport modal share		Drive down financing costs for new public transport vehicles and infrastructure	Support technical development of public transport in and between cities
Natural disasters, with economic and social consequences	Build up resilience against catastrophes, especially in agriculture and other heavily affected economic branches	Government officially confirms that anthropogenic climate change is responsible for the increasing frequency of natural disasters deleterious to public health and the economy.		Grants for adaption measures, for studies	Support education on the problem
Biodiversity endangered	Change agricultural and other economic practices harmful to biodiversity	Government conducts study on biodiversity, its benefits and how it is endangered in the country, including economic opportunities arising from protecting biodiversity		Grants for adaption measures, for studies	Support education on the problem
Soil pollution	Introduce new fertilisation and waste management practices	Analyse economic and health-related consequences of soil pollution, set targets for improvement		Grants for adaption measures, for studies, drive down costs for new tech	Support education on the problem
Air pollution	See transport and RES	Analyse economic and health-related consequences of air pollution, set targets for improvement		Grants for adaption measures, for studies, drive down costs for new tech	Support education on the problem
	Access to EU ITMO purchases (Art.6)	Ambitious climate targets			

Source: „Energy strategy 2035“, <https://minenergo.gov.ru/node/1026>

4 Conclusion

Due to the global nature of the greenhouse effect, any attempt by the European Union to combat global warming single-handedly is doomed to failure. The EU must get other countries involved in order to mitigate climate change. In short: the EU needs a “climate diplomacy”. We argue that the “Trio countries” – Georgia, Moldova and Ukraine – are ideal candidates with which to test and develop the EU’s tools for this endeavour. Due to its close economic and political relationships with these countries, the EU has considerable influence with them. The Trio, for their part, must overcome considerable challenges in order to lower their emissions while also strengthening their economies. These challenges exemplify those that many of the world’s less affluent countries are also facing.

The climate diplomacy tools developed for these three countries, and other countries as well, should be underpinned by a strategic approach, just as the European Green Deal is. Unlike the strategy underpinning the EGD, though, this approach must be geared towards cooperation in and the funding of support projects. We therefore propose that member states task the European Commission with drawing up a set of well-designed Paris partnership options among which partner countries could choose – an external European Green Deal “à la carte”. These options would centre around a low-carbon investment fund used to drive down investment costs and enable long-term investments. Such a fund should draw its revenue from national carbon charges, matched with EU support, the level of which would depend on how ambitious the partner’s national action plans were. This would serve as a strong conditionality attached to the EU’s support, strengthening the Trio countries’ ambitions to actually implement the promised changes.

The fund would be flanked by measures aimed at educating a wider public in the partner countries about the benefits of climate mitigation measures and the fund would be accompanied by technical support, capacity building efforts and regulatory support.



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With the European Green Deal (EGD), the EU has embarked on an ambitious path towards making Europe the first climate-neutral continent by 2050. But the EU will not be able to achieve this continental vision on its own. We argue that the EU should support this transition in other countries through a more ambitious and strategic European climate diplomacy in order to ensure climate targets are met globally.

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