

## The European Green Deal and the war in Ukraine

### *Addressing crises in the short and long term*

July 2022



This paper was written in cooperation with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the Leibniz Institute of Agricultural Development in Transition Economies (IAMO) and the Stockholm Environment Institute (SEI)

#### KEY MESSAGES

- The **European Green Deal (EGD)** is instrumental in addressing some of the implications of the war in Ukraine. It can facilitate an integrated response that considers the global concerns raised by the concurrent geopolitical, health and socio-environmental crises, in both the short term and the long term. The war's effects on food security, energy security, industrial supply chains and environmental protection should be addressed with due attention to immediate threats, and with a view to speeding up the nascent sustainability transformation in order to avoid exacerbating future disruptions. To achieve this, three approaches are essential: enabling policy coherence between sectors and institutions, designing adequate social protection measures, and advancing international cooperation.
- To simultaneously address **energy security** and the climate crisis, the energy transition should be accelerated worldwide. Domestically, the EU can ratchet up production of renewable energies, phase out fossil fuels (including liquefied natural gas (LNG)), and make energy efficiency improvements across all sectors and industries. The EU should avoid response measures that create lock-ins to pathways that are incompatible with the green transition. In parallel, the EU has the capacity to build strong international partnerships to assist other interested countries in their own energy transitions and support them to become key trading partners of renewable energy sources. **(continued next page)**



## KEY MESSAGES (CONTINUED)

- Global supply chains, particularly **industrial supply chains**, have been disrupted by the war and related sanctions. Ukraine, Russia and Belarus supply much of the world's key raw materials, such as neon, nickel, aluminium and palladium, and crucial goods, such as iron-derived products and fertilisers. The energy price spike and inaccessible transportation routes have further exacerbated the disruptions. As companies relocate their production and seek new suppliers, the EU should aim to incentivise low-carbon options, boost innovation and material efficiency, and support developing countries in building their own green industries.
- **Food security** has also been adversely affected by disrupted supply chains. In particular, developing countries reliant on food imports face serious challenges due to record high prices. The EU has already put measures in place to support short-term food security, both domestically and beyond. To mitigate future crises, it should develop long-term measures to transition the EU food system towards sustainability and support the development of resilient food systems in developing countries.
- The war in Ukraine poses a serious threat to global environmental governance, particularly with regard to **environmental protection** and biodiversity conservation. The war will likely influence supply chain-driven deforestation and ecosystem degradation, in part due to increasing food insecurity. The EU can support effective and smart agriculture to minimise or avoid land conversion for food or energy production, both domestically and in developing countries. In addition, the EU can play an active role in assisting Ukraine in its ever-more precarious environmental situation, and support neighbouring countries like Poland, Slovakia, Romania and Hungary that may suffer from transboundary pollution.
- The war in Ukraine has exposed the urgent need for **effective coordination and coherence** between EU policy frameworks. To implement the EGD, internal and external trade-offs between core issue areas, such as food and environmental protection or energy and industrial supply chains, and between short-term and long-term effects, need to be minimised. Simultaneously, synergies need to be enhanced. Currently, however, the content and implementation of the EGD still follows a sectoral and siloed approach that contradicts the EU's policy coherence ambitions. More than ever, the realisation of the EGD's objectives requires an integrated approach to facilitate efficient alignment with long-term global agendas, such as the 2030 Agenda for Sustainable Development and the Paris Agreement.
- In the short term, **social protection** can help vulnerable households cope with increases in food and energy prices, through mechanisms like cash transfers, in-kind transfers and subsidies. To promote longer-term resilience, social protection can support the just transition and independence of energy and food systems by way of facilitating structural changes, for example, in terms of employment. This will require increased spending on social protection systems anchored in equity concerns.
- With regards to its **international cooperation**, the EU still needs to define the goals it seeks to attain under the external dimension of the EGD. These will need to be translated into concrete actions in close dialogue with the EU's partner countries. Moreover, international cooperation must be aligned to support long-term strategies to implement the 2030 Agenda for Sustainable Development and the Paris Agreement in a synergistic fashion. This requires a policy space for accountability and learning, through continuous monitoring and evaluation of pertinent international cooperation activities and partnerships. The EU also has the important role of building trust between partner countries and demonstrating international leadership in the face of Russia's geopolitical belligerence.



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## 1. ONGOING AND EMERGING CRISES

Russia's invasion of Ukraine has first and foremost caused enormous harm to the country and the people of Ukraine. It has further seen transboundary effects throughout the region and the world. Major international disruptions and regional destabilisation have greatly affected the European Union (EU) and its partner countries. In response to the invasion and the associated humanitarian crisis, Europe and its partners have sought to support Ukraine, in parallel imposing strong economic sanctions on Russia. Both the invasion and the consequential sanctions have reduced commodity production capacity, led to seizure or destruction of Ukrainian resources by Russia<sup>1</sup> and erected trade barriers. Moreover, fears of a long-term conflict and potential escalation have limited or endangered availability of essential foodstuffs, like wheat, and caused skyrocketing prices of basic supplies.

While the EU and the world are still struggling to recover from the impacts of two years of the COVID-19 pandemic, the Ukraine crisis is bringing new economic shocks and negative ripple effects. These have also adversely affected the pursuit of sustainable development, as agreed by countries in the 2030 Agenda for Sustainable Development. Indeed, food security, energy security, industrial supply chains and environmental protection have all been compromised. Particularly devastating consequences are being borne by developing countries. As UN Secretary-General António Guterres stated, “the war has launched a silent assault on the developing world.”<sup>2</sup>

In response to the urgency of tackling the immediate impacts of the war, EU policymakers are putting all options on the table, including some with potential long-term effects. Given the EU's dependence on Russian fossil fuels (coal, natural gas and oil), the increasing demand for land dedicated to food production, and the disruption of key industrial supply chains, response measures to the war have the potential to drive or hinder action to address the environmental and climate crises. To cope with the effects of the war, some EU politicians have even proposed rolling back the European Green Deal (EGD), a policy tool passed by the European Commission in December 2019. Such a step, however, would be a severe blow to the EU's aim of achieving climate neutrality by 2050 and mitigating climate-related disruptions.

The experience of the global pandemic – with countries taken by surprise, overburdened healthcare systems and a general lack of preparedness – demonstrates that reacting to crises is much more costly and detrimental to human well-being than preventing them. Urgent reactions in desperate times should preferably be built around long-term needs rather than providing quick fixes. Indeed, the war in Ukraine has led some to argue that now is, in fact, the time for the EU to speed up its green energy transition and accelerate the implementation of the objectives and ambitions underlying the EGD. This will require a profound commitment from all 27 EU member states. To this end, EU policymakers will need to keep long-term environmental effects front and centre on their agenda to avoid creating stranded assets, maladaptation and carbon lock-ins. Maintaining this steady focus could simultaneously enable just transitions that reduce, rather than aggravate, inequalities between and within countries.

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In this policy brief, we analyse the direct effects and implications of the war in Ukraine on energy security (section 2.1), industrial supply chains (section 2.2), food security (section 2.3) and environmental protection (section 2.4) in the EU and in developing countries. Section 2.4 also considers the ramifications of the war on Ukraine's own environment. We also explore several integrative policy approaches to mitigate these implications, namely policy coherence (section 3.1), social protection measures (section 3.2) and international cooperation (section 3.3).

Throughout our analyses, we consider existing and potential policy measures, and in doing so refer to the EGD's many dimensions<sup>3</sup> (outlined in Figure 1). We argue that the EGD is instrumental in setting the EU and its partners on a sustainable path, and key to addressing multiple crises in the short and long term. Moreover, successful implementation of the EGD can help the EU weather the shock of the war, while facilitating sustainable development that leaves no one, and no country, behind.

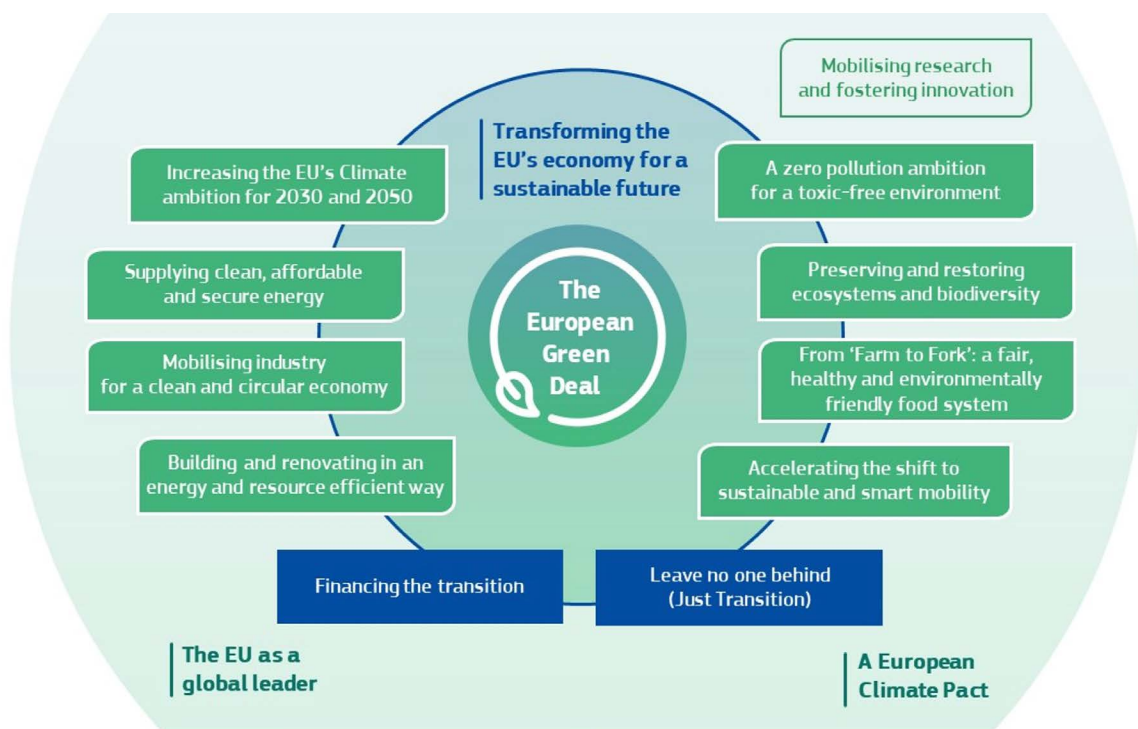


Figure 1. The dimensions of the European Green Deal as set out by the European Commission in COM(2019)640

3. Energy security: "Supplying clean, affordable and secure energy"; "Building and renovating in an energy and resource efficient way"; "Accelerating the shift to sustainable and smart mobility."  
 Food security: Main dimension "From 'Farm to Fork': a fair, healthy and environmentally friendly food system."  
 Industrial supply chains: "Mobilising industry for a clean and circular economy"; "Supplying clean, affordable and secure energy"; "Mobilising research and fostering innovation."  
 Environmental protection: "A zero pollution ambition for a toxic-free environment"; "Preserving and restoring ecosystems and biodiversity."  
 Social protection: "Leaving no one behind (Just transition)."  
 International cooperation: "The EU as a global leader."  
 Policy coherence: Highlights the interconnectedness of the EGD's dimensions.

## 2. MAJOR IMPLICATIONS OF THE WAR IN UKRAINE

### 2.1 ENERGY SECURITY

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#### Implications for the EU

The war in Ukraine has exposed the EU to acute energy insecurity, given its heavy dependence on Russian fossil fuels. In 2021, Russia supplied over 40% of the gas the bloc consumed, as well as 46% of its coal and 27% of its oil.<sup>4</sup> Energy prices were already high before the war in Ukraine due to the COVID-19 pandemic supply chain disruptions, but skyrocketed in the face of the difficult stand-off between Russia and Europe. In March 2022, the price of Brent crude oil peaked at US \$140 a barrel, the highest since 2008.<sup>5,6</sup> At the start of Russia's invasion of Ukraine, Germany halted the controversial Nord Stream 2 gas pipeline.<sup>7</sup> Over the course of April, May and June, Russia stopped exporting gas to a number of countries, including Poland, Bulgaria, Finland, the Netherlands, Denmark and France.<sup>8</sup> More recently, it reduced supply to Italy, Germany, Slovakia and Austria.<sup>9,10</sup>

The EU further imposed an import ban on Russian coal, compromising 25% of the country's coal exports, and it imposed a partial import ban on Russian oil.<sup>11</sup> Looking to the future, the bloc unveiled a comprehensive plan, named REPowerEU, to completely phase out fossil fuel imports from Russia by 2030. These are all clear signals that there is no future for Russian fossil fuel dependency in Europe. At the same time, concerns have grown about injustices associated with energy insecurity. Energy poverty is already a daily reality for more than 30 million Europeans.<sup>12</sup> In Lithuania and Bulgaria, for example, more than 30% of private renters were unable to heat their homes in 2019, according to the ENPOR Energy Poverty Dashboard.<sup>13</sup>

#### Implications for developing countries

In April, the World Bank forecast that energy prices would rise by more than 50% this year alone, before easing in 2023 and 2024.<sup>14</sup> This is expected to be a major burden for developing economies, especially those reliant on oil imports,<sup>15</sup> and may lead to debt distress.<sup>16</sup> Energy poverty is likely to be particularly felt among developing countries, as their populations tend to spend a greater share of their income on fuel, for example,

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11. European Commission (8 April 2022), <https://bit.ly/3xrOdQR>.






for cooking and transportation.<sup>17</sup> The International Monetary Fund has warned that social unrest due to increased fuel and food prices (see section 2.3) could materialise throughout sub-Saharan Africa, Latin America, the Caucasus and Central Asia.<sup>18</sup> This is in addition to concerns that EU assistance may be curtailed due to European countries' redirecting funds to address their own domestic food and energy crises and the worsening situation of refugees in Europe. Particularly, official development assistance (ODA) and climate finance for mitigation, adaptation and green energy transitions in developing countries, may come under pressure (see section 3.2).



In 2021, Russia supplied over 40% of the gas the bloc consumed.



## RECOMMENDATIONS FOR THE EU

-  **ACCELERATE THE PHASE-IN OF RENEWABLE ENERGY.** This can be enabled justly and fairly through investments in green energy infrastructure and production capacity. The EGD is the EU's ticket to energy independence from Moscow, in both the short term and the long term. Europe should not delay the EGD, as some politicians have proposed,<sup>19</sup> nor should it over-rely on liquefied natural gas (LNG). Even worse would be for it to fall back on highly polluting options like coal. Instead, the EU should make use of the momentum the crisis offers to accelerate a green transition away from fossil energy across the continent. The REPowerEU plan is a good first step.<sup>20</sup>
-  **MAKE AMPLE INVESTMENTS IN DECARBONISING INDUSTRY, HEATING AND TRANSPORT.** This should include the use of green hydrogen where alternatives are limited.<sup>21</sup> According to the International Energy Agency (IEA), 6 billion cubic metres of natural gas consumption could be saved within the span of a year solely by accelerating the deployment of wind and solar energies.<sup>22</sup>
-  **STOP NEW INVESTMENTS IN GAS FIELDS IN EUROPE AND ABROAD.** In addition to halting investments in new gas fields, investments in LNG infrastructure should be restricted to those strictly necessary to ensure short-term supply security, as these may produce fossil fuel lock-ins. For example, Germany's recent bid to quickly spend €3 billion on floating terminals for imported LNG<sup>23</sup> is only a sensible option to address short-term energy needs, and as long as these investments do not compromise the objective to move away from *all* fossil fuels in the medium term.
-  **PUT ENERGY EFFICIENCY AND SUFFICIENCY AT THE CENTRE OF ENERGY SECURITY AND CLIMATE STRATEGIES.** As stated in the REPowerEU plan, saving energy is one of the most efficient ways to address the current energy crisis.<sup>24</sup> The updated Energy Efficiency Directive, which is part of the Fit for 55 package, can be revised and strengthened to this end. For example, it could mandate an efficiency goal more ambitious than the 13% binding target now suggested to improve heating and insulation systems and to reduce natural gas demand for residential heating.<sup>25</sup> Furthermore, comprehensive action plans should be prepared to reduce energy demand, including sufficiency measures for more sustainable living, particularly regarding mobility. This would also support the EGD core aim of "accelerating the shift to sustainable and smart mobility."<sup>26</sup>
-  **HALT FOSSIL FUEL SUBSIDIES.** This will deter increased energy consumption and enable the EU to remain coherent in its implementation of the EGD. Instead, vulnerable consumers at risk of energy poverty can benefit from lump sum transfers.<sup>27</sup>



## RECOMMENDATIONS TO SUPPORT DEVELOPING COUNTRIES



### **PURSUe A NEW GENERATION OF WIN-WIN GREEN AND JUST ENERGY TRANSITION PARTNERSHIPS AROUND THE GLOBE.**

Accelerating the energy transition process at home should not translate into an inward-looking agenda. The EU should remain cognisant of potential spillover effects of its increasing independence from Russian fossil fuels. It also needs to consider potentials for cooperation with interested neighbours and developing countries towards a greener and better-connected energy system. The EU's success in implementing the EGD will depend on its ability to pursue such global partnerships.



### **SUPPORT RENEWABLE ENERGY SYSTEMS PHASE-IN AND FOSSIL FUEL PHASE-OUT BEYOND THE EU.**

While the EU should itself produce more wind and solar energy, it can also look to countries around the world for fossil fuel substitutes. In doing so, it can support other interested countries with their own just energy transitions. Renewables are already cheaper than the cheapest fossil fuels. Trading renewable energy directly, along with fuels and goods produced with green energy, can help the EU diversify its energy imports and also incentivise partner countries to green their own industries (see section 2.2).<sup>28</sup>



### **ENSURE THAT EU ENERGY SECURITY NEEDS ARE COMPATIBLE WITH SUSTAINABLE DEVELOPMENT PRIORITIES BEYOND ITS OWN BORDERS.**

Indeed, the EU should ensure that its own energy security objectives do not compromise sustainable development priorities globally, particularly energy security, energy access, poverty alleviation and climate change mitigation in developing countries. Moreover, successful international cooperation around energy security should be aligned with other global agendas, such as the 2030 Agenda for Sustainable Development and the Paris Agreement (see section 3.1).



Energy poverty is likely to be particularly felt among developing countries, as their populations tend to spend a greater share of their income on fuel.



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14. World Bank (26 April 2022), <https://bit.ly/3OirSMg>.
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27. Reaños, M.A.T. (2021), <https://bit.ly/3QnmKIK>.
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## 2.2 INDUSTRIAL SUPPLY CHAINS

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### Implications for the EU

Supply chain disruptions and energy price spikes due to the war in Ukraine (see section 2.1) are being strongly felt by EU industries and businesses.<sup>29</sup> The EU is highly dependent on Russia, Ukraine and Belarus<sup>30</sup> for various raw materials – in particular iron, nickel, neon, aluminium and palladium – as well as important iron-derived products (including steel), fertilisers and electronics equipment. Yet, Ukrainian production has become limited and Russian and Belarusian imports have been blocked through sanctions.<sup>31</sup> Transport, construction, electronics equipment and machinery have been particularly affected. However, these imports are essential for many other EU industries as well, and for the green transition, including renewable energy infrastructure (e.g., wind power).<sup>32</sup>

Beyond the stop in direct imports from Ukraine, Russia and Belarus, imports from third countries have diminished, as goods requiring materials from the war-involved countries are no longer available or can be obtained only at inflated prices. Supply chain risks are driving companies to relocate production and seek alternative raw material sources.<sup>33</sup> However, options are limited, as the three countries at war are major market players. Ukraine accounts for 50% of the global neon market, Russia accounts for 23% of the nickel market and 22% of palladium; jointly they provide 63% of pig iron.<sup>34</sup> Moreover, soaring energy prices make domestic production in the EU very costly.

### Implications for developing countries

The war has caused substantial supply shortages around the world. Aside from reduced production, ships on the Black Sea have become almost uninsurable due to the war, and transport in the region has become unavailable or expensive, given the higher energy prices and increasing overall risks.<sup>35</sup> EU and international measures against Russia have made trade in general more difficult. Because Russian railways have long been an essential link in the transport of goods across Asia, the current sanctions are affecting neighbouring countries as well. Kazakhstan, for instance, must use costlier Trans-Caspian routes to trade with the West.<sup>36</sup> Furthermore, removing Russian banks from the SWIFT system has been particularly troublesome for countries dependent on this system for transfers, such as Vietnam.<sup>37</sup> Restrictions on exports of advanced semiconductors and other technologies from Russia have constrained industries that were already suffering from COVID-19 pandemic disruptions, and Ukraine was the only other large producer of neon, which is essential for semiconductors.<sup>38</sup> The war in Ukraine has thus generated particular challenges in semiconductor technologies and applications, putting at risk Europe's ambition to achieve technological leadership, as set out in the proposed European Chips Act.<sup>39</sup>



Supply chain risks are driving companies to relocate production and seek alternative raw material sources.



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37. Shear, S., CNBC (25 March 2022), <https://cnb.cx/3b5vsv5>.
38. European Commission (8 February 2022), <https://bit.ly/3Qr3IB6>.
39. High-Level Group on Energy-Intensive Industries, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs, European Commission (29 November 2019), <https://bit.ly/3MVR1JE>.



## RECOMMENDATIONS FOR THE EU



### **THE EU WILL NEED TO STRENGTHEN AND COMPLEMENT SUPPLY CHAINS AND ENVIRONMENTAL MEASURES.**

The role of industrial value chains will be key in achieving the EGD target of climate neutrality by 2050. Europe's energy-intensive industries (EIIs) – primarily iron and steel, chemicals, refining and cement – are embedded in crucial value chains and consume more than half of the energy used by all EU industry combined.<sup>40</sup> Environmental concerns and supply chain-related disruptions due to the COVID-19 pandemic have prompted the EU to adopt the approach of "open strategic autonomy"<sup>41</sup>, as well as key policies to implement the EGD, such as the EU system of due diligence for supply chains and the proposed Carbon Border Adjustment Mechanism (CBAM). Another key policy is the 2020 New Industrial Strategy (updated in 2021), which sets out a roadmap for major EU industries to lead the twin green and digital transitions.<sup>42</sup>



### **WHEN ADDRESSING THE EFFECTS OF THE WAR, EU RESOURCES SHOULD BE USED CAREFULLY TO ENSURE THAT THEY REACH COMPANIES THAT ARE TRULY STRUGGLING, PARTICULARLY THOSE CONSIDERED ESSENTIAL, AND TO SUPPORT DECARBONISATION RATHER THAN IMPAIR IT.**

A major EU policy to help ease the impacts of the war in Ukraine domestically is the Temporary Crisis Framework.<sup>43</sup> This enables member states to aid and compensate companies affected by high energy prices, sanctions and counter-sanctions and war-related disruptions more generally. While universal support allocations may be easier to implement, they risk overcompensation. Moreover, poorly designed measures could in fact stimulate a rise in polluting production and practices.



### **TO TACKLE THE CHALLENGE OF MATERIAL SUPPLY DISRUPTIONS, THE EU COULD STRENGTHEN ITS RESILIENCE THROUGH ENHANCED RECYCLING AND USE EFFICIENCY, INNOVATION IN MATERIAL ALTERNATIVES, AND INTERNATIONAL PARTNERSHIPS.**

One of the biggest challenges facing the EU is maintaining access to critical raw materials, including those essential for the green transition.<sup>44</sup> Supply chain resilience can be enhanced by implementing the guidelines in the European Commission's Critical Raw Materials Resilience communication (COM(2020)474),<sup>45</sup> while also supporting circular economy models, as outlined in the EGD, and establishing partnerships to reduce dependencies on single sources.<sup>46</sup> In particular, the EU could lean into existing initiatives such as the European Battery Alliance, the Circular Plastics Alliance and the Clean Hydrogen Alliance, while closely monitoring dependencies in strategic supply chains. EU-led international partnerships should operate with the dual goal of promoting the EU's global competitiveness and enabling green transitions worldwide (see section 2.1).



Ships on the Black Sea have become almost uninsurable due to the war, and transport in the region has become unavailable or expensive.



## RECOMMENDATIONS TO SUPPORT DEVELOPING COUNTRIES



### **THE EU SHOULD DESIGN COMPLEMENTARY MEASURES TO MINIMISE THE INDIRECT EFFECTS OF BOTH THE WAR AND THE ECONOMIC SANCTIONS AGAINST RUSSIA ON INDUSTRIES IN THIRD COUNTRIES.**

Kazakhstan is one such affected country.<sup>47</sup> Support measures could include offering trade alternatives and tariff exemptions. To limit trade-offs at home and beyond its own borders, the EU should avoid taking unilateral decisions, consider the implications of its measures for third parties and prioritise strong international cooperation.



### **TO ENABLE CONTINUED ACCESS TO GOODS AND MORE RESILIENT FUTURE GLOBAL SUPPLY CHAINS, THE EU COULD SUPPORT INTERESTED DEVELOPING COUNTRIES IN BUILDING THEIR INDUSTRIES, ESPECIALLY GREEN INDUSTRIES, AND CREATE TRADE ALTERNATIVES.**

These collaborations should not focus only on extractive industries, but rather enable higher value-added production. Making industries green from the start is essential to meet future environmental standards, and thus ensure long-term competitiveness. Building an adequate strategy around this issue into the Global Gateway initiative could help both the EU and its partner countries advance towards this goal.<sup>48</sup>



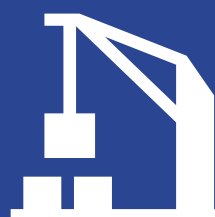
### **AS COMPANIES ARE FORCED TO RELOCATE PRODUCTION AND FIND NEW SOURCES FOR MATERIALS, THE EU SHOULD DESIGN INCENTIVES TO DISCOURAGE SWITCHES TO HIGHER CARBON FOOTPRINT OPTIONS.**

To generate sufficient sources that meet environmental standards, the EU could support the decarbonisation of heavy industries, such as steel, in interested developing countries, including in the context of mechanisms such as the CBAM.



### **WE RECOMMEND THAT THE EU CONTINUE TO SUPPORT UKRAINE'S EXPORTS AND ACQUISITION OF NEEDED INDUSTRIAL SUPPLIES, AS WELL AS ITS ALIGNMENT WITH THE EU REGULATORY ENVIRONMENT, INCLUDING WITH RESPECT TO DECARBONISATION.**

The EU plans to suspend tariffs on Ukrainian imports for one year and to exempt Ukraine from safeguarding measures that limit steel production.<sup>49</sup> It is also seeking to lift anti-dumping tariffs on steel-related products. A 2016 EU-Ukraine free trade agreement was already working towards the phase-out of tariffs on several products, but the new regulations will go beyond these. The EU could additionally exempt Ukraine from the CBAM during the war and early recovery period.



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44. European Commission COM(2020) 474 final (3 September 2020), <https://bit.ly/3xvEw3U>.

45. Ibid.

46. Bacchus, J., and Cohen, A., The National Interest (1 May 2022), <https://bit.ly/3tA4RfN>.

47. Gherke, T., and Smekens, M., Egmont Royal Institute for International Relations (May 2022), <https://bit.ly/3OluFEn>.

48. Strupczewski, J., Blenkinsop, P., and Ljunggren, D., Reuters (27 April 2022), <https://reut.rs/3OjU55C>.

49. Food security is generally defined as having four pillars: physical availability, economic access, stability over time and the ability of people to utilise food for good diets.

## 2.3 FOOD SECURITY

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Michael Brüntrup (IDOS), Koen Dekeyser (ECDPM),  
Ines Dombrowsky (IDOS) and Jean-Carlo Rodríguez  
de Francisco (IDOS)

### Implications for the EU

In the EU, the main food security issue is high prices, as physical availability of food is not at risk.<sup>50</sup> The higher cost of food is linked to both inflation and specific rises in the prices of cereals and vegetable oil due to the war and speculation.<sup>51</sup> Prior to Russia's invasion of Ukraine, food prices in the EU-27 had already risen by 4.8% (as of January 2022) compared to the previous year.<sup>52,53</sup> Similarly, fertiliser prices have risen alongside energy prices since 2021 (see section 2.1), making it more expensive for farmers to produce food.<sup>54</sup>

Most European consumers have been able to absorb the higher food prices, as they spend less of their budget on food compared to the rest of the world. On average, food expenditures made up less than 15% of total household spending in the EU.<sup>55</sup> Nevertheless, Europe's food insecure population is growing, with its numbers rising from 57.4 to 69.5 million between 2019 and 2020 due to the COVID-19 pandemic and economic downturn.<sup>56,57</sup> This has strained food banks, charitable organisations and social protection systems, while driving increasing demand on facilities such as the Fund for European Aid to the Most Deprived (FEAD).

### Implications for developing countries

Countries in the Global South are already experiencing food availability and access problems at both the national and household level due to the war, the COVID-19 pandemic, conflict and production issues. The Food and Agriculture Organization of the United Nations (FAO) estimates that 38.3 million people in West Africa and the Sahel alone will

face severe food insecurity by August without significant intervention. At the national level, procuring food has become more difficult for importing countries, given that Russia and Ukraine are among the world's largest wheat, corn and sunflower seed exporters to developing countries, and export logistics have become more complicated or even impossible.<sup>58</sup> For instance, in 2020, almost 60% of Egypt's grain imports came from Russia (32%) and Ukraine (26%).<sup>59</sup> The country could see its wheat bill almost double due to high market prices.<sup>60</sup> Here and elsewhere, national support – through both social protection systems and subsidies on food and fertilisers – is expected to come under increasing strain.<sup>61</sup>

Availability issues are emerging at the household level as well. Local shops may lack staples or ration supplies.<sup>62</sup> Already, people in poorer countries spend up to two thirds of their income on food.<sup>63,64</sup> Delivery of food aid is also being affected. For example, the World Food Programme's monthly costs have risen by an estimated US \$29 million.<sup>65</sup> Furthermore, higher fertiliser prices threaten developing country farmers' ability to grow crops, putting future harvests at risk and setting the stage for long-term food insecurity.



Europe's food  
insecure population  
is growing, rising from 57.4  
to 69.5 million between  
2019 and 2020.



50. Kornher, L., von Braun, J., and Algieri, B., Center for Development Research University of Bonn (April 2022), <https://bit.ly/3MXA6sa>.  
51. Eurostat (2022), <https://bit.ly/3MT6yMp>.  
52. Trading Economics (2022), <https://bit.ly/3Of0Cyb>.  
53. FAO (25 March 2022), <https://bit.ly/3zytCgq>.  
54. Eurostat (2022), <https://bit.ly/3MOa9et>.  
55. FAO, IFAD, UNICEF, WFP, and WHO (2021), <https://bit.ly/3xuaSxV>.  
56. FAOStat (2022), <https://bit.ly/3mN397h>.  
57. FAOStat (2022), <https://bit.ly/3mN397h>.  
58. International Grains Council, GEN[21/22]Misc.1 (2022), <https://bit.ly/3fBhkjl>.  
59. ITC calculations based on UN COMTRADE statistics.



## RECOMMENDATIONS FOR THE EU



**SUPPORT THE EU'S MOST VULNERABLE TO ENSURE THEIR ACCESS TO FOOD.** The EU has introduced added flexibility to channel more funding to the needy, including refugees, through the European structural and investment funds and the aforementioned FEAD.<sup>66</sup> Member states have implemented their own measures as well, such as food vouchers, and should continue to do so (see section 3.2).<sup>67,68</sup>



**RELAX OR END FIRST-GENERATION BIOFUEL BLEND MANDATES UNDER THE RENEWABLE ENERGY DIRECTIVE (RED).** EU biofuels compete with food and animal feed because they are made from grains and sugar crops and grown on land that could be used to produce food.<sup>69</sup> Shifting away from biofuels in the EU could compensate for 28% of Ukraine's corn exports, as corn intended for biofuel production could be redirected to feed and food uses.<sup>70</sup>



**AIM TO REDUCE EU CONSUMPTION AND PRODUCTION OF ANIMAL PRODUCTS.** A slight reduction in the use of plant production for animal feed would free up a significant amount of grain for human consumption, as nearly 60% of cereals and 75% of oilseed and protein crops consumed in the EU are used for feed. This means reducing livestock production, which could be done by offering early retirement schemes and other support measures to livestock farmers dependent on feed imports. Many of them are already reducing their production in reaction to rising feed prices.



**TRANSITION THE EU FOOD SYSTEM, AS SET OUT BY THE EUROPEAN GREEN DEAL'S (EGD'S) FARM TO FORK STRATEGY (F2F) FOR LONG-TERM RESILIENCE AND PRODUCTIVITY.** F2F aims to make food systems healthy, fair and sustainable. Although some stakeholders have called for reassessment of its targets in light of the war, research points to the need to make the EU food system more sustainable, to ensure production capacity now and in the future. The way to implement this vision is still being determined. The European Commission, for example, is working towards a sustainable food systems regulation,<sup>71</sup> but it will need to be legally binding under the Common Agricultural Policy (CAP). Indeed, evidence shows that dietary change towards less and better meat consumption, as well as agro-ecological production and food waste prevention, would enable Europe to export more, as measured in calories.<sup>72</sup> Forward-thinking action by the European Commission can make the EU food system more resilient and better able to support global food security<sup>73</sup> by ensuring sufficient long-term production capacity.

60. Abay, K., Abdelfattah, L., Breisinger, C., Glauber, J., and Laborde, D., IFPRI Blog (14 March 2022), <https://bit.ly/3tBu75z>.

61. Bouet, A., Laborde, D., and Traore, F., IFPRI Blog (1 April 2022), <https://bit.ly/3QpXi5q>.

62. Davies, L., The Guardian (2 April 2022), <https://bit.ly/3xoR4Ki>.

63. Our World in Data (2016), <https://bit.ly/3HsSdFu>.

64. Mahler, D.G., Yonzan, N., Hill, R., Lakner, C., Wu, H., and Yoshida, N., World Bank Blogs (13 April 2022), <https://bit.ly/3xAupLk>.

65. World Food Programme (March 2022), <https://bit.ly/3O16onG>.

66. European Council (4 April 2022), <https://bit.ly/39o4e2a>.

67. Romania, for example, implemented such a programme. Evidence from the US suggests that food vouchers can increase the food security particularly of families with children, in Neagu, B., Euractiv (12 April 2022), <https://bit.ly/3xwtQlB>.

68. Gundersen, C., Kreider, B., and Pepper, J.V. (2017), <https://bit.ly/39XAF81>.

69. Transport and Environment (24 March 2022), <https://bit.ly/3O6ZKf8>.

70. Ibid.

71. European Commission (September 2021), <https://bit.ly/3xZFyFA>.

72. Schiavo, M., Le Mouél, C., Poux, X., and Aubert, P., IDDRI (July 2021), <https://bit.ly/39Zdqdy>.

73. Dekeyser, K., and Woolfrey, S., ECPDM (13 October 2021), <https://bit.ly/3mMPfIm>.

74. Algeria, Egypt, Jordan, Lebanon, Morocco, Palestine, Syria and Tunisia.

## RECOMMENDATIONS TO SUPPORT DEVELOPING COUNTRIES



**INCREASE AID TO LOW-INCOME FOOD IMPORTING COUNTRIES.** The EU already provides aid to developing countries and regions facing challenges. The European Commission dedicated €225 million to a new regional Food and Resilience Facility for the Southern Neighbourhood partners.<sup>74</sup> Operated under the Directorate-General for Neighbourhood and Enlargement Negotiations (DG NEAR), the facility provides short-term support to countries experiencing debt and food procurement problems, while also assisting partners to transition to more sustainable agricultural production in the long term.<sup>75</sup> For countries in the Sahel and Lake Chad region,<sup>76</sup> the EU pledged an additional €67 million in 2022.<sup>77</sup> These efforts nonetheless need to be scaled up to tackle the expanding food security challenges outside the EU, and they need to be accompanied by diplomatic efforts to allow food to safely leave Ukrainian ports.



**SUPPORT FARMERS IN DEVELOPING COUNTRIES TO GET ACCESS TO FERTILISERS.** Due to rising prices, farmers in low-income countries who already use only small amounts of fertilisers may go without entirely, threatening local production capacity. The EU can financially support interested governments of low-income countries to provide temporary fertiliser subsidies. It can also offer logistical support to assist developing countries diversify trade partners for the primary products they need to produce fertilisers themselves (see section 2.2). At the same time, farmers should be encouraged to use nutrients from local sources, such as manure.



**THE EU COULD USE LONG-TERM FUNDS TO SUPPORT COUNTRIES' DEVELOPMENT AND IMPLEMENTATION OF "NATIONAL PATHWAYS" TO SUSTAINABLE FOOD SYSTEMS, AS ARTICULATED AT THE 2021 UN FOOD SYSTEMS SUMMIT.** As part of the international dimension of the F2F strategy, the EU is already set to support several Food Systems Summit coalitions, which will be key to implementing the national pathways.<sup>78,79,80</sup> The EU is in a unique position to support interested developing countries carry out their long-term sustainability visions, as F2F puts sustainability at the forefront of European food policymaking. However, the domestic objectives of F2F should not undercut its international ambitions. Given the linkages between the EU's domestic food system and food systems beyond, the EU needs to ensure coherence between the domestic and international elements of the F2F strategy.



The FAO estimates that 38.3 million people in West Africa and the Sahel alone will face severe food insecurity by August without significant intervention.



75. European Commission (6 April 2022), <https://bit.ly/3xAqWMO>.

76. Burkina Faso, Cameroon, Chad, Mali, Mauritania, Niger and Nigeria.

77. European Commission (6 April 2022), <https://bit.ly/3tDi73k>.

78. European Commission (23 March 2022), <https://bit.ly/3tZvDPh>.

79. Food Systems Summit Dialogues Gateway, United Nations (June 2021), <https://bit.ly/39oUlvR>.

80. United Nations (2021), <https://bit.ly/3b3QREZ>.

## 2.4 ENVIRONMENTAL PROTECTION

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### Implications for the EU and for Ukraine

As countries around the world grapple with rising energy and food prices (see sections 2.1 and 2.3), as well as unstable supply chains (see section 2.2), there is a risk that environmental protection and biodiversity conservation will be compromised or neglected. For example, to strengthen EU food security this year, European Parliament Resolution 2022/2593<sup>81</sup> will allow fallow lands within the EU to be used for protein crop production and also allow the use of pesticides and fertilisers in Ecological Focus Areas. Most fallow lands, however, are located in areas with low yield potential,<sup>82</sup> and thus offer limited potential to strengthen EU food security. However, these lands are often of great importance for biodiversity<sup>83</sup> and contribute to climate protection.<sup>84</sup> For example, a study by the Institute for European Environmental Policy warns that this measure is likely to have differentiated adverse effects on plants that provide nectar, pollen, seeds and fruit for invertebrates, birds, mammals and other wildlife.<sup>85</sup> Another study points to the potential for agriculture along watercourses to lead to pollution and eutrophication due to nutrient leaching, adversely affecting water security and fish populations.<sup>86</sup>

In Ukraine, the war is having a devastating impact on the natural environment. Russia's forces have entered, or conducted military operations in, more than a third of the country's protected natural areas,<sup>87</sup> which are home to vibrant wetlands and a large swathe of intact steppe.<sup>88</sup> Bombing and weapons fire have deposited large quantities of heavy metals and chemicals on soils. A UNEP-cited report

found that numerous coal mines in Ukraine's Donbass region have been closed and flooded, likely causing seepage of methane gases and toxic heavy metals into groundwater.<sup>89</sup> Many parts of the country have large stocks of hazardous waste. If these are compromised during the war, this could have important water pollution ramifications, according to the World Wide Fund for Nature (WWF) Ukraine.<sup>90</sup> Importantly, the ongoing contamination of soil and groundwater will undermine Ukraine's ability to produce stable crop yields, even after the war ends. Before the war, fluctuating weather conditions, particularly droughts and heat waves, already posed major challenges to agriculture in the country.<sup>91</sup>

### Implications for developing countries

Rising prices of food staples and vegetable oils are becoming a major challenge for households and industries around the globe. The price of palm oil, which has become an important substitute for sunflower and rapeseed oil from Ukraine, has risen significantly, reaching record highs in March.<sup>92</sup> This has induced supply problems, even in palm oil producing countries such as Indonesia. Events in Indonesia perhaps foreshadow developments elsewhere, as student protests against the "cooking oil crisis" led the



The ongoing contamination of soil and groundwater will undermine Ukraine's ability to produce stable crop yields, even after the war ends.



81. European Parliament 2022/2593(RSP), <https://bit.ly/3MUX7Mw>.

82. Lakner, S., Roder, N., Baum, S., and Ackermann, A., GEWISOLA and ÖGA (2017), <https://bit.ly/3NSHI5Y>.

83. Henderson, I., Cooper J., Fuller R., and Vickery, J. (2000), <https://bit.ly/3QmFXdr>.

84. Ibid.

85. Underwood, E., and Tucker, G. (2016), <https://bit.ly/3tGdfdT>.

86. Cameron, K.C, Di, H.J, and Moir, J.L. (2013), <https://bit.ly/3HuhFKx>.

87. Anthes, E., The New York Times (13 April 2022), <https://nyti.ms/3l0b0b7>.

88. Kricsfalusy, V. (2012), <https://bit.ly/3xVunyX>.

89. Velázquez, J., Euronews (22 March 2022), <https://bit.ly/3HtW9pt>.

90. Kekenadze, D., Euronews (17 April 2022), <https://bit.ly/3HqjMee>.

91. Schierhorn, F., Hoffman M., Gagalyuk, T., Ostapchuk, I., and Müller D. (2021), <https://bit.ly/39q0kGg>.



government to announce an export ban on processed palm oil.<sup>93</sup> Furthermore, rising fertiliser prices<sup>94</sup> – due in part to increasing natural gas prices – are making agriculture more expensive, particularly in developing countries.<sup>95</sup> If supply problems persist and prices of vegetable oils and other agricultural commodities remain high, this could induce agricultural expansion and deforestation.<sup>96</sup> Particularly for high-value products, such as cocoa, farmers are likely to increasingly seek to tap a “forest rent”, meaning benefiting from the high yields that can be achieved relatively easily on freshly converted rainforest. The consequences would include biodiversity loss and counteracting efforts to reduce greenhouse gas emissions from deforestation.<sup>97</sup>

The war itself is likely producing massive amounts of greenhouse gases, driving climate change. This is already taking a disproportionate toll on developing countries, especially on their agriculture.<sup>98,99</sup> While the magnitude of emissions is unclear, assessments of previous wars are alarming. For example, some 1.2 million tons of greenhouse gases were released as a result of the global war against IS terror that began in 2001.<sup>100</sup> Moreover, the war may well delay climate change action around the world, undermining the goal of limiting global warming to 1.5 degrees Celsius as per the Paris Agreement.<sup>101</sup>



## RECOMMENDATIONS FOR THE EU AND UKRAINE



**PROMOTE COMPLEX AGROFORESTRY SYSTEMS, AGRO-ECOLOGICAL APPROACHES AND REFORESTATION INITIATIVES THAT CONTRIBUTE TO CARBON SEQUESTRATION.** These steps would contribute to balancing the policy shifts that are already underway in the EU towards food sovereignty – at the expense of ecosystem restoration and environmental protection. Implementing and accelerating the European Green Deal (EGD) now can help the bloc become food and energy secure while still protecting the environment.



**PLACE A STRONGER EMPHASIS ON SPATIAL AND LAND-USE PLANNING WITHIN THE EU.** This could help to maintain biodiversity at the landscape level, without compromising agricultural production.<sup>102</sup>



**SUPPORT UKRAINE'S NEIGHBOURS IN MONITORING TRANSBOUNDARY POLLUTION AND ITS EFFECTS ON BIODIVERSITY.** “Zero pollution” for a toxic-free environment is one of the key dimensions of the EGD. While a German-Ukrainian nuclear expert mission recently found no acute danger of nuclear pollution beyond the Chernobyl exclusion zone, the EU can do more than just delivering expertise.<sup>103</sup>



**FOR EXAMPLE, IT CAN CONTINUE TO PROVIDE OPEN PLATFORMS AND FUNDS FOR NON-EU COUNTRIES TO TAKE PART IN, AND EVEN ADOPT, EGD POLICY IDEAS.** The strength of the ideas underlying the EGD has already been showcased by the European coal towns initiative and Just Transition platform.<sup>104</sup> Moreover, Ukraine enacted its own version of the EGD in January 2020 and continues to plan implementing it, despite Russia's assault.<sup>105</sup>

92. Das, A., and Kondalamahanty, A, S&P Global Commodity Insights (7 April 2022), <https://bit.ly/3HVHCg>.

93. Christina, B., The Jakarta Post (26 April 2022), <https://bit.ly/39wXmje>.

94. The World Bank (26 April 2022), <https://bit.ly/3OirSMg>.

95. Hebebrand, C., and Laborde, D., IFPRI Blog (25 April 2022), <https://bit.ly/3Okwp0C>.

## RECOMMENDATIONS TO SUPPORT DEVELOPING COUNTRIES



**SUPPORT COUNTRIES EVEN MORE STRONGLY IN THEIR IMPLEMENTATION OF MEASURES TO PROTECT BIODIVERSITY AND ADDRESS ENVIRONMENTAL CONTAMINATION.** The EU institutions and member states collectively are one of the largest donors on biodiversity. Nonetheless, biodiversity protection remains a neglected challenge, especially when it comes to partner country support. Beyond environmental protection, biodiversity losses affect economic and social domains and are recognised as an important issue in the global fight against inequality.



**STEP UP BIODIVERSITY PROTECTION AND PROPOSE AN AMBITIOUS FINANCIAL PACKAGE BASED ON A CLEAR PICTURE OF WHAT HAS ALREADY BEEN FUNDED.**<sup>106</sup> This is especially important in the context of the upcoming UN Biodiversity Conference (COP15) in Montreal in December.



**PROMOTE REFORESTATION INITIATIVES WITH THE AIM OF GENERATING INCOMES FOR INDIGENOUS AND SMALLHOLDER FARMING COMMUNITIES, FOR EXAMPLE, VIA RUBBER AGROFORESTRY AND FRUIT-TREE SYSTEMS.** Furthermore, such measures should have a strong social justice component, to protect communities from the impacts of rising and volatile food and commodity prices (see section 2.3). The conservation basic income, which is an unconditional payment to people living at the margins of protected areas or in areas with high conservation value, could help these actors maintain climate and biodiversity friendly land-use practices and increase their resilience in the context of the war-induced food and energy crises.<sup>107</sup>



The war itself is likely producing massive amounts of greenhouse gases, driving climate change.



96. Grass, I. et al. (2020), <https://bit.ly/3zFMgmp>.

97. Gaveau, D. et al. (2022), <https://bit.ly/3HqR94N>.

98. Dervis, K., UN Chronicle (n.d.), <https://bit.ly/3b0pdbO>.

99. Mendelsohn, R. (2008), <https://bit.ly/3b4PXrx>.

100. Watson Institute of International and Public Affairs, Brown University (November 2019), <https://bit.ly/3aY0bdj>.

101. Harvey, F., The Guardian (10 May 2022), <https://bit.ly/3xX3haE>.

102. Grass, I. et al. (2020), <https://bit.ly/3zFMgmp>.

103. Bundesamt für Strahlenschutz (n.d.), <https://bit.ly/3HvGCFG>.

104. European Commission (n.d.), <https://bit.ly/3b5lfe4>.

105. Office of the Deputy Prime Minister for European and Euro-Atlantic Integration of Ukraine (n.d.), <https://bit.ly/3NXAXKO>.

106. Dufief É., Barchiche D., Wemaëre, M., Landry, J., and Rochette, J., IDDRI (April 2022), <https://bit.ly/3b4B7kX>.

107. Fletcher, R., and Büscher, B. (2020), <https://bit.ly/3QmK89b>.

# 3. NEEDED APPROACHES IN RESPONSE TO THE CRISIS

## 3.1 POLICY COHERENCE

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Russia's invasion of Ukraine has demonstrated the EU's dependence on energy and food imports and highlighted the sensitivity of these supply chains to external shocks (see sections 2.1, 2.2 and 2.3). Against the backdrop of this low resilience, we focus on the importance of policy coherence within the European Green Deal (EGD) as a means to mitigate external risks. While the EGD's long-term goal of climate neutrality by 2050 is well aligned with the need for food and energy security, an urgent need remains for coordination and coherence between EU policy frameworks in the short term.

Policy coherence refers to "a process of policy-making that systematically considers the pursuit of multiple policy goals in a coordinated way, minimising trade-offs and maximising synergies".<sup>108</sup> The concept itself was pioneered by the EU in the 1990s and was included as a legal commitment in the 1992 Maastricht Treaty's development policy provisions. Effective policy coherence will be key to synergistically achieve different policy objectives related to climate, land, biodiversity, energy, food and water. Although coherence efforts may not be able to eliminate the need for trade-offs in every case, they can help governments navigate externalities in a more transparent and equitable manner.<sup>109,110,111</sup>

Yet, in both content and implementation, the EGD appears to follow a sectoral and siloed approach, contradictory

to coherence.<sup>112</sup> For example, evidence indicates that the EGD does not sufficiently consider the multiple co-benefits of forests and the role of the forest-based sector in achieving goals within the EGD.<sup>113</sup> The EGD has also been criticised as lacking consideration for the role of landowners, and particularly the role of abandoned lands, in meeting biodiversity and sustainable farming goals.<sup>114</sup> Similarly, the EU's renewable energy policies have been found to be incoherent with its environmental security objectives, particularly because of a lack of focus on environmental concerns beyond the EU's own borders.<sup>115</sup>

Rather than sectoral and reductionist approaches, the EGD requires an integrated approach that incorporates multiple dimensions of EU policy, both internal and external.



Rather than sectoral and reductionist approaches, the realisation of the EGD requires an integrated approach that incorporates multiple dimensions of EU policy, both internal and external.



108. Nilsson, M., CEPA Strategy Guidance Note, UNDESA (February 2021), <https://bit.ly/3HZ0919>.

109. Antwi-Agyei, P., Dougill, A., Agyekum, T., and Stringer, L. (2018), <https://bit.ly/3xS44tr>.

110. Dzebo, A., Janetschek, H., Brandt, C., and Iacobuță, G., SEI (4 September 2019), <https://bit.ly/39v0vQu>.

111. Nilsson, M. and Weitz, N. (2019), <https://bit.ly/3b3dcIK>.



Objectives relating to climate, land, biodiversity, energy, food and water compose interconnected parts of a complex system. Solving problems in one part of the system can create challenges in solving problems elsewhere in the system. For example, scaling up bioenergy or large-scale afforestation to meet climate and energy goals could lead to land-use competition, threatening food production and food security not only within the EU but also on a global scale<sup>116</sup> (see section 2.3). This will be of particular concern if the EU decides to scale up bioenergy in response to divestment from Russian oil. Here, the need for horizontal coherence across sectors is especially clear.

An integrated approach also requires effective monitoring frameworks. To help realise these, the European Commission can itself become more accountable for how it contributes to the promotion of global agendas that are complementary to the EGD, such as the 2030 Agenda for Sustainable Agenda and the Paris Agreement. Furthermore, such a

global approach could be complemented by structured bilateral and multi-stakeholder dialogues,<sup>117</sup> through strong international cooperation (see section 3.3).

Overall, promoting coherence in EGD implementation would help ensure that the EU's responses to the war in Ukraine, particularly as they relate to scaling up renewable energy sources and localising food and energy supply, do not create additional trade-offs that could hamper the achievement of policy goals such as environmental and biodiversity protection (see section 2.4). Applying a coherence lens would enable policymakers to critically examine whether implementation of particular policies creates trade-offs favouring certain groups, or leaving certain populations behind, both within and across the EU member states. This is especially crucial given the EGD's emphasis on a just transition. EU policymakers should consider the following three actions to enhance policy coherence as a response measure to the war.

## RECOMMENDATIONS

- ✓ **A COHERENT IMPLEMENTATION OF THE EGD SHOULD INCREASE EFFORTS AND FINANCIAL PROVISIONS FOR PARTNER COUNTRIES IN NEED, PARTICULARLY LEAST DEVELOPED COUNTRIES.** The effects of Russia's invasion of Ukraine in exacerbating the global food and energy crises highlights the importance of the core goals of the EGD for international cooperation, both at the EU level and within its member states.
- ✓ **IT IS CRUCIAL TO ENSURE THAT NEW RULES AND REGULATIONS DO NOT CREATE OR INCREASE UNCERTAINTY FOR PARTNER COUNTRIES.** To maximise coherence, the EU and its member states need to build on existing mechanisms. Key among these are the OECD's policy coherence for sustainable development approach and the Team Europe approach, alongside national reporting mechanisms for the Paris Agreement and the 2030 Agenda for Sustainable Development. These can provide a basis for monitoring and evaluating potentially conflicting policy objectives between the EU's internal and external policies.
- ✓ **THE EUROPEAN COMMISSION SHOULD REPORT PROACTIVELY ON HOW AND IN WHAT WAYS THE COLLEGE OF COMMISSIONERS IS CONTINUING TO EXERCISE ITS COLLECTIVE RESPONSIBILITY TO PROMOTE THE 2030 AGENDA FOR SUSTAINABLE DEVELOPMENT AND THE PARIS AGREEMENT IN THE CURRENT CONTEXT.** Promoting these frameworks was a key commitment of the President of the European Commission Ursula von der Leyen, while also being a key means to advance the EGD. Given today's geopolitical reality, it is even more important to support an integrated approach to the EGD and related EU policies.

112. Koch, S., Friesen, I. and Keijzer, N., IDOS (2021), <https://bit.ly/3NOamQ>.

113. Aggestam, F., and Giurca, A. (2021), <https://bit.ly/3HnUQlz>.

114. Fayette, C. M. J., Reilly, K. H., Van Ham, C., and Verburg, P. H. (2022), <https://bit.ly/3Qmga5a>.

115. Häbel, S., and Hakala, E. (2021), <https://bit.ly/3OinZSG>.

116. Doelman, J. C., Stehfest, E., Tabeau, A., and van Meijl, H. (2019), <https://bit.ly/3xoXyJ8>.

117. Hackenesch, C., Högl, M., Bergmann, J., Sturm, J., Barchiche, D., and Kloke-Lesch, A., ETG (January 2021), <https://bit.ly/3Obemde>.

## 3.2 SOCIAL PROTECTION

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Some 40 million people globally are at risk of falling into poverty due to the higher food prices caused by the war in Ukraine<sup>118</sup> (see section 2.3). In the short term, a main function of social protection, in the EU and around the world, is to protect households from rising food and energy prices. This can be done through cash transfers, but also with in-kind food transfers or subsidies, especially in regard to food prices. These transfers should focus on lower and lower-middle income households, as they already spend a greater share of their income on food and energy. Many countries have put social protection measures in place. According to recent data, 21 EU countries have implemented subsidies (especially subsidies to cover fees), and 11 EU countries have implemented social assistance, much of it in the form of unconditional cash transfers. An additional relief measure available for EU countries is the Fund for European Aid to the Most Deprived (FEAD); these measures are being directly implemented by non-governmental organisations.

Within the EU, compensating poorer and more vulnerable households is theoretically in line with the new Fit for 55 legislative package. That package includes the Social Climate Fund (SCF) to support vulnerable households that are adversely affected by the EU emissions trading system. The SCF finances direct income support for vulnerable households, while also supporting measures and investments to reduce emissions in road transport and buildings – thus reducing costs for vulnerable households, micro-enterprises and transport users.

Low- and middle-income countries have already been disproportionately affected by increased food and energy prices, while having limited social protection coverage and capacities. Many of these countries face enormous challenges in expanding the coverage and generosity of their social protection systems during crises and shocks. Therefore, humanitarian and development aid arises as an important measure in the short term to strengthen their



Social protection can support the decarbonisation process and independence of energy and food systems, while advancing just transitions.



cash and in-kind social protection systems, while laying a foundation for longer-term interventions. While official development assistance (ODA) allocations to social protection increased slightly in 2020, in part due to the response to the COVID-19 pandemic, their share – which is around 1% of total ODA – and levels are still very low, especially in relation to the funding needed to build social protection systems and in light of the increasing shortfalls in humanitarian funding.<sup>119</sup>

In terms of longer-term resilience, social protection can support the decarbonisation process and independence of energy and food systems, while advancing just transitions (see section 2.1). Here the role of social protection needs to go beyond compensation for higher food and energy prices to ensure that structural changes in energy and food systems are inclusive and just, for example, in terms of employment. This was a focus of the EGD from the start, as, from its inception, it included plans for a Just Transition Fund to address employment issues. The objective of the fund is to finance social protection and labour market policies that help especially low-skilled workers to reskill and take advantage of new jobs, thereby countering long-term unemployment. A similar process can be established for the transition to a sustainable EU food system, in parallel to the energy transition, perhaps linked to funding under the Farm to Fork Strategy (F2F) (see section 2.3). In fact, poverty is especially concentrated in rural sectors and areas, where social protection is particularly needed.

118. Mitchell, I., Hughes, S., and Huckstep, S., Center for Global Development (18 March 2022), <https://bit.ly/3QgVlbr>.

119. McCord, A., Cherrier, C., Both, N., and Bastagli, F., ODI (August 2021), <https://bit.ly/3Oy9jEf>.



Creating integrated social protection systems in all countries is crucial to comprehensively address the challenges accompanying structural change, especially in EU countries where labour market policies are scarce and a large share of people work in the gig economy (i.e., temporary and flexible jobs). Integrated social protection systems combine elements from different sectors – health, education and the labour market – to support people

escape poverty and prevent impoverishment of the vulnerable. Lack of integration was a core problem in social protection responses to the COVID-19 pandemic, as many workers who lost their jobs were not fully covered. Integration of programmes can help optimise social protection's developmental impact and maximise associated social and economic returns.<sup>120</sup>

## RECOMMENDATIONS

- ✓ **DOMESTICALLY, WITHIN THE EU, INCREASE FUNDING FOR SOCIAL PROTECTION IN BOTH THE SHORT AND LONG TERM. WHILE EUROPE'S WELFARE STATES ARE ADMINISTERED BY NATIONAL GOVERNMENTS AND NOT BY THE EU, FINANCIAL HELP FROM THE EU IS NEEDED, ESPECIALLY FOR POORER EUROPEAN COUNTRIES.** To understand the scale of the challenge, the SCF aims to provide more than €72 billion in EU funding over the 2025-2032 period. Yet, in wealthy Germany, the amount of funding needed to compensate for higher energy prices will range from €30 billion (assuming a medium price increase) to €77 billion (if the price increase is extreme), according to recent estimates.<sup>121</sup>
- ✓ **THE EGD SHOULD USE PART OF THE REVENUES FROM THE ENVISAGED CARBON BORDER ADJUSTMENT MECHANISM (CBAM) TO ASSIST INTERESTED LOW- AND MIDDLE-INCOME PARTNER COUNTRIES IN DECARBONISING THEIR INDUSTRIES, INCLUDING SOCIAL PROTECTION POLICIES FOR EMPLOYMENT.** This should be done by aligning the European Green Deal (EGD) to countries' development priorities, rather than by imposing the EU's own policies. Just transition partnerships could provide blueprints for such engagements (see sections 2.1 and 2.2).
- ✓ **INVESTMENTS IN SOCIAL PROTECTION SYSTEMS NEED TO FOLLOW AN EQUITY APPROACH TO ENSURE THAT PRIMARILY THE POOR AND VULNERABLE BENEFIT.** Universal access to social protection systems is paramount to ensure that all those in need receive support. Policymakers should design their responses strategically, investing their limited resources in programmes and policies focused on poor and vulnerable households.

120. UNICEF (August 2021), <https://bit.ly/3aXzc1y>.

121. Bach, S., and Knautz, J., Deutsches Institute für Wirtschaftsforschung (2022), <https://bit.ly/3QkQVX>.

### 3.3 INTERNATIONAL COOPERATION

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The conflict in Ukraine is bringing global climate, environmental, food and energy issues to the fore. These require a global response, well beyond the EU's purview. The EU can take this opportunity to showcase, both internally and through its international cooperation, that greener and more sustainable approaches can be part of the solution. To this end, more clarity on the role of international cooperation is essential.

Recent EU policies and proposals – for instance, those on circular economy, the Farm to Fork Strategy (F2F) and blue economy – feature ambitions and actions linked to the European Green Deal's (EGD's) external dimension. Similarly, the EU's international cooperation strategies, such as the Comprehensive Strategy with Africa, proposed in 2020, contain climate and green transition objectives.<sup>122</sup> However, it is unclear how these various plans come together. The overall objectives of the external dimension of the EGD also remain unclear.<sup>123</sup>

To date, one defining feature is that the external dimension of the EGD is mostly narrowed to a spending role in the form of dedicated technical and financial support to Europe's partner countries. Thus, Team Europe Initiatives (TEIs) – which have been jointly designed by the EU, member states and European development banks since 2020 – include a strong focus on the green transition. According to the EU, 72.7% of all 93 country-level TEIs worldwide include a focus on the EGD, the largest share for all thematic priorities.<sup>124</sup>

The EU's seven-year budget, and its €79.5 billion framework for external action, sets a 30% spending target for climate action. This framework has been crystallised into four-year geographic and thematic strategies covering all countries and regions – as finalised in December 2021. These show the same strong focus

Defining overall objectives of the EGD's external dimension would help in focusing action on global sustainable development, addressing global inequalities and designing just transitions across the board.

on the environmental dimension of sustainable development. Tailor-made approaches will be needed for the different contexts and challenges faced by Europe's partners, ranging from high-income to least-developed countries, most of which are in Africa.<sup>125</sup> All countries and regions have been affected by the war and its global implications. This may put pressure on official EU plans and priorities that were developed at a time when Russia's invasion of Ukraine was still hard to imagine for most EU policymakers.

Another missing element in the EU's international cooperation strategies concerns the EU's Global Gateway proposal as put forward in the same month.<sup>126</sup> The EU presented the Global Gateway as the external projection of the EGD, with one of its five pillars focused explicitly on climate and energy. Here, the focus is mainly on the mobilisation of investments for climate protection and clean energies, which makes its ambitions much narrower than those of the EGD.

In view of these various connected and still to be determined unsettled initiatives, it remains unclear to what extent the EGD will lead to a fundamental change of direction of the EU's international cooperation. Defining overall objectives of the EGD's external dimension would help in focusing action on global sustainable development, addressing global inequalities and designing just transitions across the board.<sup>127</sup>

122. European Commission JOIN(2020) 11 final (8 April 2020), <https://bit.ly/3MTMGJ3>.

123. Koch, S., and Keijzer, N., IDOS (2021), <https://bit.ly/3y0xIN9>.

124. European Union, Capacity4Dev (n.d.), <https://bit.ly/3xTISij>.

125. Hege, E., Barchiche, D., and Treyer, S., ETG (2022), <https://bit.ly/3zBIMTj>.

126. Furness, M., and Keijzer, N., IDOS (2022), <https://bit.ly/3xupzyZ>.

127. Koch, S., and Keijzer, N., IDOS (2021), <https://bit.ly/3y0xIN9>.



Long before the war began, the negotiation of the Common Agricultural Policy (CAP) and, more recently, the preparation of a Taxonomy for Sustainable Activities, has shown that the EU struggles to meet its own green ambitions.<sup>128</sup> These and other domestic changes towards a green future, have raised substantial dissonance. Just one example is the discord surrounding the EU's encouragement of ending international support for fossil fuel projects, as discussed at COP26. In these times of scarce international cooperation resources, and with some EU member states reprogramming funds for Ukraine at the expense of other countries that are also in need, the EU has a role in demonstrating that it can use its own resources effectively.

Yet, effective international cooperation to advance the green transition is about more than political buy-in by the EU and its partners at the stage of formulating projects and other forms of cooperation. Certainly, compared to other areas of international action, such as health and transport infrastructure support, the EU and its partners are still at an early stage of their learning curve in cooperating effectively. There is a need to avoid tensions and perceptions of green protectionism,<sup>129</sup> and to recognise risks so that trust can grow between partners, and public support from all sides can be consolidated.

The EU's immediate response to the war demonstrates the collective strength that European leaders can leverage. They can use that unified voice in other multilateral and international fora to promote coherent approaches, linking developmental, climate and environmental issues (see section 3.1).

## RECOMMENDATIONS

- ✓ **DEFINE THE GOALS TO BE ATTAINED UNDER THE EXTERNAL DIMENSION OF THE EGD, INCLUDING THROUGH INTERNATIONAL COOPERATION AND FLAGSHIP INITIATIVES SUCH AS THE GLOBAL GATEWAY.** Through dialogue with its partners, the EU can translate these into concrete actions that line up with partners' needs and priorities.
- ✓ **MAINTAIN A CLOSE DIALOGUE WITH INTERESTED PARTNER COUNTRIES** to support them in designing their own green development pathways, and proactively discuss any EU 'domestic' decisions that may affect them (see section 2.1).
- ✓ **SHIFT FOCUS FROM SHORT-TERM MEASURES TOWARDS LONGER-TERM SUSTAINABLE DEVELOPMENT BY LINKING DEVELOPMENT, CLIMATE AND ENVIRONMENTAL ISSUES.** Recent ETG and IDOS research recommends that the EU follow an integrated EGD–SDG diplomacy and cooperation approach.<sup>130,131</sup>
- ✓ **ENSURE CONTINUOUS MONITORING AND EVALUATION OF EGD-RELATED INTERNATIONAL COOPERATION ACTIVITIES,** and share evidence from these exercises in the public domain to promote accountability and learning.

128. European Commission (n.d.), <https://bit.ly/3mPtsJX>.

129. Jayant, D., Hege, E., and Treyer, S., IDDRI (2021), <https://bit.ly/3mOhikr>.

130. Hackenesch, C., Högl, M., Bergmann, J., Sturm, J., Barchiche, D., and Kloke-Lesch, A., ETG (January 2021), <https://bit.ly/3Obemde>.

131. Bauer, S., Kurdziel, M.-J., Iacobuță, G., Brandi, C., Rodríguez, J.C., Deryng, D., Hanshom, J., Höhne, N., Smit, S., Srigiri, S. (2021), <https://bit.ly/3agBqsl>.



## 4. CONCLUSION

Russia's unprovoked attack on Ukraine and the subsequent war have taken an insurmountable toll first and foremost on Ukraine, but also on countries beyond those involved in the war. Addressing the humanitarian disaster in Ukraine – and working to stop civilian deaths and end human suffering – continues to remain a moral imperative, and the most important action that the EU must take. This means continuing to deliver assistance and aid to the country, providing support to the ever-increasing number of refugees, and resorting to diplomacy to end the war. At the same time, parallel action must be taken in a variety of domains if the EU and the rest of the world are to weather the shocks the war has brought. Against the background of already strained economies and social protection systems due to the COVID-19 pandemic, the war has confronted many countries with new major challenges due to new insecurities, increased prices and unavailability of crucial commodities.

This policy brief examined some of the most pressing implications of the war in Ukraine for the EU and developing countries across four areas: energy security, industrial supply chains, food security and environmental protection. In the latter section, we also addressed the degrading environmental situation in Ukraine. In addition, this policy brief explored three approaches to mitigate these implications: policy coherence, social protection and international cooperation. For each of these areas and approaches, we assessed the potential of EU policies that are currently being implemented or considered to address war-related issues domestically and beyond, and provided recommendations for needed response measures. Although these areas were presented separately, they are closely interlinked. Measures cannot, therefore, be considered or implemented in silos.

Crucially, we argue that the EGD can be the EU's best policy tool to address the repercussions of Russia's invasion of Ukraine and avoid exacerbating climate change-related disruptions. EGD implementation should therefore be accelerated now by all 27 EU member states. This should not come at the expense of sustainable development priorities and just transitions elsewhere in the world, particularly in developing countries. On the contrary, the international component of the EGD calls for global, coordinated and coherent action for countries to achieve sustainable development, to mitigate and adapt to climate change, and to transition towards clean energy. Demonstrating leadership and upholding multilateralism will ensure the EU does not operate in a siloed manner, but considers the needs of countries that have been equally affected by Russia's invasion of Ukraine.

A war on the EU's doorstep is a security threat as much as an opportunity to make lasting changes towards a more resilient world. As such, the EU can and should take a firm stance in the face of Russia's geopolitical belligerence, while continuing to adhere to its sustainable development and just transition policies, domestically and, indeed, globally. ■

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