

## European Green Deal: a new challenge for EU and Cyprus

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### **Introduction**

The decade 2020-30 will be critical for climate action. The Intergovernmental Panel on Climate Change calls for a 45% cut of global carbon emissions at 2030 to limit global warming so as to attain the 2015 Paris Agreement targets of 1.5°C or at most 2°C above pre-industrial levels by the end of this century. Scientists warn that an increase beyond a 2°C, will have as a consequence that the planet's ice sheets could collapse and that will be the reason for the flooding of hundreds of coastal cities. Hundreds of million people (maybe 400 million people) could suffer from water scarcity leading to harvest failures and food shortages. Parts of the equatorial regions would become uninhabitable, with summer heat waves killing thousands even in Northern latitudes.

We will try first arguing why, faced with the threat of climate change, the approach “business as usual” is no longer an option. Then we will treat, very shortly, the question of how and under what conditions the European Union (EU), through its December 2019 European Green Deal (EGD), could establish a new policy approach and successfully tackle the challenge ahead. Third, we will present the actual situation in Cyprus concerning the steps forward to Green Deal.

### **I. Why cannot have a classical approach to the problem**

Citizens and decision maker's needs to consider revising this degenerative system. In this effort to address the “climate emergency”, high-income countries must set the example by making the biggest effort. This effort cannot be based on appeals to individual responsibility or technical solutions only, it is not sufficient any more. For one, it would be misleading to think that changing course is only a matter of personal choice and behaviour. Individuals are powerless when faced with, for example, the lack of access to renewable energy or public transport infrastructure, a fiscal system subsidising fossil fuels or car purchases (rather than renewable energy or eco-innovation), an advertising industry and an entire system of values glorifying

consumerism. Equally misleading is the idea that climate change is essentially a technical problem and needs technical solutions. Climate change is first a political problem because it touches upon questions of justice: the most vulnerable people on the planet, who least contribute to carbon emissions, are hitting the hardest. The wealthy will be able to escape heat, hunger and conflict while the rest of the world is left to suffer, in a scenario the United Nations describes as a kind of “climate apartheid”.

Considerate the political nature of climate change is a first step towards seriously addressing the challenge ahead. The second important step is evaluating its global dimensions and Europe’s responsibility. The EU covers roughly 3% of the world’s landmass and Europeans represent 7% of the world population. CO<sub>2</sub> generated on European soil is 10% of global carbon emissions, not considering the EU’s ‘outsourced emissions’. The EU imports 38% of textiles, 38% of agricultural products, 26% of minerals, 26% of crude oil, 38% of metals and 39% of chemicals flowing in international markets. There is a relationship between Europe’s metabolism, with its material and immaterial quantity, and the power structures in the rest of the world that are shaped by these flows. The rise of China – already the top consumer of most material resources – and other emerging powers, is distorting these gravitational forces away from Europe and North America, but the transatlantic weight will continue to remain important.

The mechanics of natural resource extraction and trade require economies of scale that only large operators can gather, creating a natural bias towards concentration. Extractive economies tend to be less democratic precisely because they concentrate this power in fewer hands. Many of the EU’s international partners are largely dependent on natural resource rents, defined as the sum of revenues from oil, natural gas, coal, mineral and forest. So long as the exploitation of natural resources remains at the heart of the global economic system, autocratic regimes and interest groups will continue to profit from it. In Saudi Arabia and Iran, for example, oil revenues make for 60% and 30% of the state budgets, respectively. Without these rents, the two regimes could not have consolidated their power at their countries, waged proxy wars or supported up friendly governments in the region.

An economic model based on endless material consumption is not only affecting power structures in Europe’s partner countries, but also in Europe itself. The deals between

local and international elites over the control of these rents should not be ignored when trying to understand the forces of resistance against climate action. For example Saudi Arabia, which today holds a sizeable share of its oil revenues, with international actors making profits later down the retail chain or in the management of Saudi sovereign wealth funds, in other cases international players, often European companies, have the upper hand over producing countries. The supply chains of cobalt from the Democratic Republic of Congo, uranium from Niger, or copper from Zambia are just a few examples. The elites across all countries of the globe benefitting from the status quo will likely resist the economic overhaul needed to tackle climate change.

## **II. The European Green Deal, a new EU policy?**

In December 2019, the European Commission proposed a “European Green Deal” (EGD) with the goal of transforming the EU’s economy for a sustainable future. The EGD aims to reduce carbon emissions by at least 50% by 2030 and reach carbon neutrality by 2050. It proposes a clean energy transition, a new circular economy action plan, a shift to sustainable and smart mobility, leadership on other environmental issues such as single-use plastics and, among other measures, a Sustainable Europe Investment Fund. The Commission’s proposal recognises that “the global challenges of climate change and environmental degradation require a global response” and that the EU’s efforts at home will need to be accompanied by ambitious environment, climate and energy policies across the world, supported by a stronger ‘green deal diplomacy’, trade policy, development support and other EU external policies.

To achieve this goals, the EGD should clearly break from the classic approach ‘as an ordinary problem’ and set targets to reduce the carbon footprint of the EU’s economy, starting from those sectors that, alone, contribute to almost three quarters of global carbon emissions: energy (34%), industry (22%) and transport (14%). To this end, the EGD should go beyond the simple target of reducing carbon emissions, which could be externalised, but also aim to reduce absolute energy consumption and achieve a full transition to renewable energy, reduce material consumption, reduce waste per person and increase recycling, and decouple the notions of mobility and car ownership, providing transport opportunities through common and public options while stabilising or reducing the number of vehicles in circulation.

In its efforts, the EU should be guided by the idea that turning the tables on energy, waste and transport is not just a concern for high-income countries. The highest gains are actually to be made in low- and middle- income nations faced with higher air pollution levels, more congested urban traffic and related health and environmental hazards. The World Health Organisation estimates that 98% of cities in the developing world are suffering from air pollution above the safety threshold (report of 2016). Not only can climate action help achieve social goals and prevent societal collapse, but it will also have significant “equalising effects” when it comes to sharing resources and opportunities. With adequate public investment in renewables, households could produce sufficient energy to meet most of their needs and wrestle power away from energy rent-seekers. Likewise, public transportation would help the most vulnerable move around and take advantage of better education and employment opportunities, beyond their own areas of residence.

Emphasis should be put on the social opportunities promoted by climate action, at home and within partner countries. An important test for the EGD is precisely the extent to which it can pursue its objectives in a socially fair manner. The biggest efforts cannot be expected from low-income groups and countries. A key premise of the EGD is that climate action is not an ‘assault’ on well-being. Climate breakdown threatens to destroy the very foundation of human living conditions on the planet. Failing to act is the real threat to human survival, let alone well-being. At the same time, climate action can become an opportunity to create new jobs, from high-skilled jobs in research, at the forefront of innovation, to low-skilled jobs in construction or transport for example. Between 2000 and 2016, despite the economic crisis, in the EU alone employment in the environmental goods and services sector grew by 38%.

Another condition for successfully implementing the EGD is a solid understanding of its political consequences. A sincere effort by the EU to reduce its material footprint can be an effective way of cutting the ground from under the feet of powerful rent-seekers who resist climate action, in Europe and abroad. This should be done while actively supporting a diversification of the EU’s partner countries’ economies towards sectors that can be more decentralised and less prone to falling into the hands of a few people. While raw materials and fossil fuels are naturally concentrated and therefore easier to appropriate through large-scale infrastructure, renewable energies are more dispersed, their exploitation could be engineered from the start to ensure widespread

control. This kind of decentralised thinking should be hardwired in other economic sectors the EU promotes through its international cooperation.

### **III. Green Deal initiatives in Cyprus**

Cyprus as an island is isolated in terms of energy and in time being stays out of the networks of interconnections. Up to now the production of energy in the island is based mainly on the units of production of the public enterprise of electricity which operate by using oil as the main material of such production. The accident in a military camp next to the one of the biggest units of production of electric energy, in Mari, eight years ago caused a black-out in the island with a duration of several days. The last years renewable energy resources, solar panels and wind turbines (generators) have been built, however, their contribution to the production of electric energy remains at relevant low levels.

Cyprus gets the benefits mainly from the solar panels due to its geographic placement and the extended sunshine all year long.

There are motivations given to private consumers and firms for the installation of solar panels (mainly in the buildings of firms and industries) which will contribute to their energy autonomy.

However, Cyprus due to its geographic placement is not benefited as regards the winds for the use of wind generators for the production of energy in large scale. The existent mix of production of electric energy relies significantly on fossil fuels.

As regards the use of natural gas, in Vassiliko a station of storage of LNG is under construction for the storage of LNG which will be transported by ships.

Natural Gas Public Company (DEFA Cyprus) has initiated the public procurement for the establishment of a network for the natural gas distribution.

As it is well known, in the open sea in the south of the island, there have been discovered natural gas fields which are connected to the natural gas field of Israel and to the respective field of Egypt (Zor).

These fields are in an initial phase of mining and will not be in full productive operation before the end of the current decade, so to change the existent mix of energy production. It is, though, a positive development for the reduction of dependence on oil. When the

fields will be fully operational the other member states of the EU will turn from 2030 and on to the use of hydrogen. There is a project for gas transportation by pipeline, the East-Med project connecting Cyprus, Israel, Egypt to Greece and then from Greece to Italy and the rest of Europe. This project will be not be in use before the beginning of next decade. The idea is to proceed to the construction of pipelines that permits to use them also for hydrogen transportation.

There is under construction the interconnection by an undersea cable between Greece (Crete) and Cyprus for the transportation of electricity with the aim to reduce the island isolation.

There is not a project for storage of electricity power for the moment.

As for the means of transportation in principle for the motor vehicles, the main fuel remains gasoline and diesel.

There are hybrid vehicles, but not so many yet, and there are no vehicles operating by using LNG or CNG, because no such vehicles are imported and there is no network for the distribution of these two fuels (LNG or CNG).

Recently, an attempt to promote electric vehicles has started. The public enterprise for electricity has created pilot program for charging stations in the capital of Cyprus, Nicosia.

There is no metro or tram (by electricity) and there are no electric buses.

As for the heating, the two systems are either the central heating with oil as the fuel (during the winter) or the air conditions (during winter and summer) which consume electric power, which is produced by a mix mainly based on mineral/fossil fuels.

Very recently, the legislation was set to provide for the mandatory existence of thermal insulation in the buildings for the restriction of the loss of heating, and the lower energy consumption.

Concerning the programs for Recovery Fund the 41% of the demands, about 500 million euros are for projects concerning the “Green Deal”

## **Conclusion**

Technology, digital innovation and creative financing definitely play a role in the internal and external dimensions of the European Green Deal, but they are not central to solving our predicament. The first step for EU policy-makers is therefore to understand the power structures behind climate change, uncover who gains from the status quo, who suffers, and whether the latter have the capacity, influence and critical mass to make the necessary change.

Climate action requires large redistributive efforts and will therefore be met with strong opposition. The resistance to change might sometimes be so strong that EU action must lower its ambition to a level where change can be sustained. This will require flexibility as well as risk-taking in the way the EU works. Climate change as such might not be at the top of every-one's mind but its multiple impacts are felt in the lives of people, especially the vulnerable one. The EU needs to design its programmes around their problems rather than 'one-size-fits-all' financial instruments conceived, implemented and evaluated in an abstract world.

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