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Assessment of the Modern Climate Policy of the European Union

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ABSTRACT

One of the most important problems of the world community in the 21st century is global warming. To solve this problem, the Paris Climate Agreement was adopted in 2015. As part of the implementation of the Paris Agreement, on December 11, 2019, the European Union (EU) adopted the European Green Deal (EGD), which provides for achieving net zero greenhouse gas emissions by 2050. On July 14, 2021, the EU adopted the climate program Fit for 55, aimed at implementing the EGD. On March 8, 2022, the EU adopted an ambitious strategy to stop importing fossil fuels from Russia and transit to renewable energy sources (REPowerEU). This article **aims** to assess the modern EU climate policy. The **object** of the study is the modern climate policy of the EU. The **subject** of the study is the impact of EU climate policy on the EU's long-term competitive position in the global economy. The research **methodology** includes systemic, economic, institutional and logical analysis, induction, deduction and synthesis. Based on the analysis, the author **concludes** that the modern climate policy of the EU is a logical continuation of the implementation of the Marshall Plan to establish US domination over European countries with the aim of deindustrializing them. As a result of the implementation of this counterproductive policy, which is contrary to the national interests of the member states, the EU is experiencing stagflation, quickly losing its competitive position in the global economy. In this new reality, the EU faces the challenge of reviewing and adjusting climate policy in the region.

Keywords: climate; climate policy; greenhouse gases; global warming; European Green Deal; carbon border adjustment mechanism; EU emissions trading system; international cooperation; global problems

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ОРИГИНАЛЬНАЯ СТАТЬЯ

Оценка современной климатической политики Европейского союза

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АННОТАЦИЯ

Одной из важнейших проблем мирового сообщества в XXI в. является глобальное потепление. С целью решения данной проблемы в 2015 г. было принято Парижское соглашение по климату. В рамках реализации Парижского соглашения 11 декабря 2019 г. Европейский союз (ЕС) принял Европейскую зеленую сделку (ЕЗС, European Green Deal), предусматривающую достижение чистого нулевого уровня выбросов парниковых газов к 2050 г. 14 июля 2021 г. ЕС принял климатическую программу Fit for 55, направленную на реализацию ЕЗС. 8 марта 2022 г. ЕС принял амбициозную стратегию отказа от импорта ископаемых видов топлива из России, перехода к возобновляемым источникам энергии (REPowerEU). В связи с этим в статье дана оценка современной климатической политики ЕС. **Объект исследования** — современная климатическая политика ЕС. **Предмет исследования** — влияние климатической политики ЕС на долгосрочные конкурентные позиции ЕС в мировой экономике. **Методология** исследования включает системный, экономический, институциональный и логический анализ, индукцию, дедукцию, синтез. В статье на основе проведенного анализа сделан **вывод**, что современная климатическая политика ЕС является логическим продолжением реализации плана Маршалла по установлению господства над европейскими странами с целью их деиндустриализации. В результате реализации этой контрпродуктивной климатической поли-

тики, которая противоречит национальным интересам государств-членов, Европейский союз переживает стагфляцию и быстро теряет конкурентные позиции в мировой экономике. В этой новой реальности ЕС стоит перед вызовом пересмотра и корректировки климатической политики в регионе.
Ключевые слова: климат; климатическая политика; парниковые газы; глобальное потепление; Европейская зеленая сделка; трансграничное углеродное регулирование; система торговли выбросами ЕС; международное сотрудничество; глобальные проблемы

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Introduction

In the 21st century, climate policy issues have acquired unprecedented relevance. Theoretical, methodological and practical issues and problems connected with the development, improvement and implementation of climate policy are considered in the publications of Russian and foreign scientists [e.g., 1–25]. However, in general, this issue has not been sufficiently studied.

According to meteorological data, the global surface temperature (determined at a height of 2 meters from the Earth's surface) in the 20th century increased by 0.6 °C. This is significantly more than that over the previous two thousand years.[1] Most experts agree that in the 21st century, global warming has continued. They consider that the rate of global temperature rise has been increasing in recent decades. According to the United Nations Intergovernmental Panel on Climate Change, anthropogenic factors play a decisive role in global warming, which is associated with an increase in the content of greenhouse gases (GHG) in the atmosphere, mainly carbon dioxide.[2]

Adequate and correct consideration of issues related to climate policy requires the definition of basic concepts in this area. Climate can be defined as the long-term pattern of weather conditions observed in a particular area; weather statistics. Climate policy is an activity to manage social processes aimed at mitigating the effects of climate change, adapting to climate change, strengthening and developing information, scientific, socio-economic policies in the field of climate.

Greenhouse gases are gaseous components of the atmosphere — both natural and anthropogenic — that absorb and re-emit infrared radiation. According to Annex A to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, greenhouse gases include: carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF_6).[3]

In order to solve the global climate problem, on December 12, 2015, the 21st session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) adopted the Paris Climate Agreement,[4] the strategic goal of which is to keep the increase in global average temperature by the end of the 21st century within much below 2 °C above pre-industrial levels of 1850–1900 and make an effort to limit temperature rise to 1.5 °C. As of September 2019, the Paris Agreement was binding on 185 countries and the EU.

Overview of the literature on the modern climate policy of the EU

As part of the implementation of the Paris Agreement, the EU adopted the European Green Deal (EGD) (it is contained in the Communication from the Commission to the European parliament, the European council, the Council, the European economic and social committee and the Committee of the regions COM/2019/640 dated December 11, 2019). The EGD aims to achieve net zero greenhouse gas emissions in the EU by 2050.[5] The EGD has been identified

[1] Great Russian Encyclopedia. Vol. 14. Moscow: Scientific Publishing House "Great Russian Encyclopedia"; 2009:282.

[2] Climate Change 2022: Impacts, Adaptation and Vulnerability. United Nations Intergovernmental Panel on Climate Change, 2022. URL: https://www.ipcc.ch/report/ar6/wg2 (accessed on 25.01.2024).

[3] Kyoto Protocol to the UN Framework Convention on Climate Change. Accepted on December 11, 1997. URL: https://docs.cntd.ru/document/901880645 (accessed on 25.01.2024).

[4] Paris Climate Agreement. Accepted on December 12, 2015. URL: https://docs.cntd.ru/document/542655698 (accessed on 25.01.2024).

[5] Net zero emissions mean reducing greenhouse gas emissions to levels as close to zero as possible, with any remaining emissions absorbed back out of the atmosphere, such as by oceans and forests.

as a top priority in the European Commission's (EC) strategy for the period 2019–2024.[6] In the interests of implementing the EGD, on July 14, 2021, the EC adopted the Fit for 55[7] climate program, which defines an interim goal — reducing GHG emissions by at least 55% by 2030 compared to 1990 levels and provides for the following measures to achieve it:

- introduction of carbon border adjustment mechanism;
- improving the effectiveness of the EU emissions trading system (EU ETS);
- making necessary adjustments to the EU ETS Market Sustainability Reserve;
- extension of the EU ETS to the maritime transport sector and implementation of CORSIA[8] for aviation;
- creation of a new ETS for emissions from fuels used in buildings and road transport;
- raising member states' emission reduction targets in a fair and cost-effective manner;
- increasing CO_2 emissions targets for cars and vans from 2030;
- reforming the regulations on land use and forestry;
- protecting and expanding the forest area of Europe.[9]

An important document in the field of EU climate policy is the ambitious strategy to stop the import of fossil fuels from Russia and transit to renewable energy sources, REPowerEU, contained in the Communication to the European Parliament, the Council and other European structures dated March 8, 2022.[10] On May 18, 2022, the EC adopted a Communication containing measures to implement the above strategy.[11]

As the EC notes, as part of the EU's REPowerEU strategy, the following measures were implemented.

1. Diversification of energy supply sources. Since September 2022, Russian gas has accounted for only 8% of all pipeline natural gas imports into the EU, compared to 41% of EU imports from Russia in August 2021. The EC asserts that the implementation of the EU's REPowerEU plan has enabled the diversification of energy supplies mainly through:

- concluding agreements with third countries on pipeline imports of natural gas;
- investing in the joint purchase of liquefied natural gas;
- establishing partnerships with Namibia and Egypt to ensure a safe and sustainable supply of hydrogen;
- signing agreements with Egypt and Israel on natural gas supplies to the EU.

2. Ensuring affordable energy supplies. The EU Energy Platform, launched in April 2022, has played a critical role in diversifying energy supplies throughout 2022. The platform helps coordinate EU actions and negotiations with external gas suppliers to ensure EU countries do not stand in the way of each other in purchasing energy resources on favorable terms. The platform also leverages the power of the EU single market to achieve better conditions for all EU consumers. In 2022, the EU proposed common gas purchases to avoid any disruptions in energy supplies. This system allowed EU countries to provide some share of gas needs jointly rather than compete with each other for scarce supplies. In May 2023, the EU managed to attract applications from 25 supplying companies in the amount of more than 13.4 billion cubic me-

[6] Leyen U., von der A Union that Strives for More. My Agenda for Europe. European Commission, 2019. URL: https://ec.europa.eu/commission/sites/beta-political/files/political-guidelines-next-commission_en.pdf (accessed on 25.01.2024).

[7] Communication from the Commission to the European parliament, the European council, the Council, the European economic and social committee and the Committee of the regions. "Fit for 55": delivering the EU's 2030 climate target on the way to climate neutrality. COM/2020/550 final. 14 July 2021. URL: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021DC 0550&from=EN (accessed on 25.01.2024).

[8] CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation) is a global market-based measure designed to offset CO2 emissions from international aviation in order to stabilize CO2 emissions levels from 2020. URL: https://www.icao.int/environmental-protection/Documents/CorsiaBrochure_8Panels-RUS-Web.pdf (accessed on 25.01.2024).

[9] Delivering European Green Deal. URL: https://climate.ec.europa.eu/eu-action/european-green-deal/delivering-european-green-deal_en (accessed on 25.01.2024).

[10] Communication from the Commission to the European parliament, the European council, the Council, the European economic and social committee and the Committee of the regions. REPowerEU: Joint European Action for more affordable, secure and sustainable energy. COM(2022) 108 final. 8 March 2022. URL: https://energy.ec.europa.eu/system/files/2022–03/REPowerEU_Communication_with_Annexes_EN.pdf (accessed on 25.01.2024).

[11] Communication from the Commission to the European parliament, the European council, the Council, the European economic and social committee and the Committee of the regions. REPowerEU Plan. COM(2022) 230 final. 18 May 2022. URL: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2022%3A230%3AFIN (accessed on 25.01.2024).

ters of natural gas. This is significantly higher than the joint request of 11.6 billion cubic meters that EU companies submitted in the first tender (under the AggregateEU mechanism). EU companies will now be able to negotiate the terms of supply contracts directly with supplier companies.

3. New rules for gas storage. To avoid blackouts and power shortages, EU countries have agreed to fill gas storage facilities ahead of the 2023–2024 winter. The EU target agreed upon in 2022 was to fill gas storage capacity to 80% by November 1, 2022. According to the EC, EU countries have exceeded this target, reaching 95% of gas storage capacity.

4. Energy saving. At the EU level, member states have agreed to EC proposals for a voluntary reduction in gas use of 15% in winter 2022/2023. According to the EC, gas demand fell by 18%, exceeding the target. At the EC's proposal, in March 2023, the voluntary gas demand reduction target was extended by member states for another year.[12]

Findings and discussion: consequences, risks and vulnerabilities of the EU's modern climate policy

Long before the adoption of the REPowerEU strategy, as a result of anti-Russian sanctions, a reduction in natural gas supplies to the EU began, which led to an energy crisis in the EU in September-October 2021. In accordance with the REPowerEU strategy, on April 8, 2022, the EU introduced a ban on imports from Russia of coal and other solid fossil fuels and, on June 3, 2022 — an embargo on maritime supplies of oil and petroleum products from Russia.[13] These bans have worsened the energy crisis in the EU.

Illegitimate and counterproductive anti-Russian sanctions introduced by the EU in accordance with the REPowerEU strategy contradict the national interests of EU member states and cause them significant damage. The energy crisis in the EU caused by these sanctions has led to an industrial crisis in the bloc. According to the Financial Times, many EU enterprises, faced with unprecedented increases in energy prices and declining competitiveness and consumer demand, have been forced to cut or stop production. According to analysts at the American investment bank Jefferies, about 10% of the production capacity of the EU steel industry was stopped as a result of the energy crisis. The European non-ferrous metal industry association (Eurometaux) said that all EU zinc smelters were forced to reduce or even stop production entirely. In addition, the block lost 50% of its primary aluminum production. Due to the energy crisis, about 27% of the production of silicon and ferroalloys and 40% of furnaces for the production of ferroalloys were mothballed. The fertilizer sector, which uses natural gas as a feedstock to produce ammonia, has also been hit, with 70% of its production capacity mothballed, according to the European fertilizer industry association Fertilizers Europe. The US investment bank Goldman Sachs estimates that 40% of EU chemicals production capacity is at risk of shutting down if rising energy prices are not contained. In a statement, the German chemical group Covestro noted: "Due to rapidly rising energy prices, we are constantly reducing our production levels in the EU". A similar situation exists in the plastics, ceramics and other energy-intensive sectors. US consultancy Rhodium estimates that just seven EU industrial sectors account for approximately 81% of natural gas demand: chemicals; ferrous metallurgy; cement production; glass production; oil refining industry; pulp and paper industry; printing industry. In some of these sectors, temporary production stoppages not only result in losses but can also cause permanent damage to equipment. The French glass manufacturer Arc International was forced to stop part of its glass furnaces after a fourfold increase in the cost of purchasing natural gas. The stopped furnaces were irreversibly damaged and must be replaced. In addition, approximately one-third of the employees were furloughed for two working days a week, and demand for the company's products fell sharply. Due to widespread production shutdowns, European entrepreneurs fear that the energy crisis will lead to their displacement from the European market by competitors from regions with lower energy costs. According to D. Savorani, president of the Association of Italian ceramic producers, Confindustria Ceramica, "a reduction or cessation of exports, even temporary, can lead to an irreversible reduction in market share". As noted in the statement of the European Association of

[12] REPowerEU plan. URL: https://commission.europa.eu/strategy-and-policy/priorities-2019–2024/european-green-deal/energy-and-green-deal_en (accessed on 25.01.2024).

[13] The history of the introduction of EU sanctions against Russia in connection with Ukraine. TASS. 05.10.2022. URL: https://tass.ru/info/15960409 (accessed on 25.01.2024).

Industrialists sent to the President of the EC Ursula von der Leyen and the President of the European Council Charles Michel, "rising energy prices are currently accelerating the decline in the competitiveness of European industrial energy consumers. Without immediate action to limit rising energy prices, the damage will be irreparable".[14] According to the American observer L. Johnson, support by EU member states for US anti-Russian sanctions led to the shutdown of many enterprises and acceleration of deindustrialization in the EU, and the US itself faced an economic catastrophe, which was expressed in the collapse of its stock market and the growing recession.[15]

The preconditions for the current unprecedented crisis in the EU were laid in 1948, when the United States passed the Foreign Assistance Act,[16] which legally enshrined the so-called "Marshall Plan". Put forward by former US Secretary of State G. Marshall, this plan provided for economic assistance to Western European countries affected by World War II on the basis of bilateral agreements. Aid totaling $ 20.4 billion was provided over the next four years to eighteen Western European countries. 75% of this amount were non-repayable subsidies, and 25% were loans [2, p. 264]. The true goals of the Marshall Plan were the economic enslavement and deindustrialization of Western European countries, which were supposed to facilitate the establishment of political and military control over them by the United States. The Marshall Plan prepared the conditions for the creation of NATO in accordance with US plans [2, p. 264]. The creation of NATO in 1949 allowed the United States to consolidate its dominance over Western European countries. As a result, they continue to follow in the footsteps of US foreign policy. This was clearly demonstrated in 2014, when the EU supported the disastrous policy of anti-Russian sanctions imposed on it by Washington.[17]

As a result of illegitimate and counterproductive anti-Russian sanctions, the industrial crisis, stagnation of GDP growth rates, HICP growth (see *Table*), stagflation began in the EU in 2022, leading to the rapid loss of the European Union's competitive position in the global economy.

In this regard, a columnist for the American magazine Forbes K. Rapoza writes: "given that the price of one megawatt-hour of natural gas is more than $ 100 higher than a year ago, the economies of Western Europe are moving into the Middle Ages".[18]

It should be noted that EU climate policy contains numerous risks and vulnerabilities. This can be demonstrated with an example of the so-called "carbon border adjustment mechanism" (CBAM) of the EU. The first attempt to introduce CBAM dates back to 2019, when the corresponding Communication of the European Commission[19] to the European Parliament, the European Council and other European structures was published. On March 10, 2021, the European Parliament adopted a resolution[20] on the introduction of CBAM by 2023. On May 10, 2023, the Regulation of the European Parliament and of the Council 2023/956[21] was adopted, which contains the issues of the functioning of the CBAM. This Regulation provides for the introduction of a new carbon tax on the import of carbon-intensive goods into the EU (cement, iron, steel, aluminum, fertilizers, electricity and hydrogen).

[14] Will the energy crisis crush European industry? Financial Times. 19.10.2022. URL: https://www.ft.com/content/75ed449d-e9fd-41de-96bd-c92d316651da (accessed on 25.01.2024).

[15] Johnson L. Will Europe break with the United States? 23.09.2022. URL: https://sonar21.com/will-europe-break-with-the-united-states (accessed on 25.01.2024).

[16] Foreign Assistance Act of 1948. Approved on April 3, 1948. URL: https://fraser.stlouisfed.org/title/foreign-assistance-act-1948-economic-cooperation-act-1948–1298/fulltext (accessed on 25.01.2024).

[17] According to Hungarian Prime Minister V. Orban, the policy of economic sanctions against Russia contradicts the national interests of Hungary. He argues that due to mutual sanctions, the West will lose more than Russia: "We shot ourselves in the foot". In this regard, V. Orban decided to look for like-minded people in the European union in order to rethink and change the entire EU sanctions policy [5, p. 266].

[18] Rapoza K. Europe is heading for "deep recession", deindustrialization. 11.09.2022. URL: https://www.forbes.com/sites/kenrapoza/2022/09/11/europe-is-heading-for-deep-recession-deindustrialization/?sh=796e6e2f4708 (accessed on 25.01.2024).

[19] Communication from the Commission to the European parliament, the European council, the Council, the European economic and social committee and the Committee of the regions. The European green deal. COM/2019/640. 11 December 2019. URL: https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1588580774040&uri=CELEX%3A52019DC 0640 (accessed on 25.01.2024).

[20] Resolution of the European parliament of 10 March 2021 towards a WTO-compatible EU carbon border adjustment mechanism (2020/2043 (INI)). URL: https://www.europarl.europa.eu/doceo/document/TA-9–2021–0071_EN.html (accessed on 25.01.2024).

[21] Regulation (EU) 2023/956 of the European parliament and of the Council of 10 May 2023 establishing a carbon border adjustment mechanism. URL: https://eur-lex.europa.eu/eli/reg/2023/956/oj (accessed on 25.01.2024).

Table
Main macroeconomic indicators of the European Union in 2011–2023, %

Indicators	2011	2015	2016	2017	2018	2019	2020	2021	2022	2023
Real GDP index	1.9	2.3	2.0	2.8	2.1	1.8	–5.6	5.4	3.5	0.5
Index of industrial production	3.7	2.7	1.8	3.2	1.2	–0.2	–7.3	8.3	1.9	-0.3
HICP	2.9	0.1	0.2	1.6	1.8	1.4	0.7	2.9	9.2	11.0
Share of EU in the world GDP	15.9	15.2	15.6	15.6	15.4	15.3	14.9	14.8	14.9	–

Source: Eurostat. URL: https://ec.europa.eu/eurostat/databrowser; IMF. URL: https://www.imf.org/en/Publications/WEO/weo-database (accessed on 15.02.2024).

CBAM came into force at a transitional stage on October 1, 2023. It should come into force as a permanent system from January 1, 2026.[22]

The industrial associations of the EU have already informed the public of the negative impact of CBAM on the economy of the bloc. In particular, according to the official October 2021 statement of the Association of French Enterprises (France Industrie), CBAM will harm primarily those industries that receive resources from third countries (aeronautics, automobiles, railways, mechanics, electronics, etc.).[23] CBAM will cause significant damage to the European aluminum industry. According to the May 2022 assessment of the impact of the CBAM on European aluminum producers, carried out by the English consulting company "CRU Consulting", the introduction of the CBAM will negatively affect the aluminum industry in the EU for the following reasons:

- CBAM will put pressure on the cost structure of the European aluminum industry, which will lead to a loss of their competitiveness compared to foreign companies, as well as an increase in the prices of primary aluminum;
- inclusion of indirect GHG emissions in the "carbon footprint" for calculating the tax base of CBAM will lead to a further loss of competitiveness of European producers of primary aluminum;
- CBAM will negatively affect the costs of raw materials of European manufacturers of rolling and extrusion equipment;
- CBAM is a universal policy that does not differentiate depending on the characteristics of producers, which could harm the European aluminum industry.[24]

According to the November 2021 official statement of the European Association of Automotive Suppliers (CLEPA), the CBAM initiative contains the following risks.

1. Risks for processing industries. The introduction of CBAM will lead to an increase in the prices of a wide range of steel and aluminum products necessary for the production of cars in the EU. The CBAM initiative ignores the fact that EU steel and aluminum producers do not have sufficient capacity to supply EU automakers with the full range of steel and aluminum products required for production. As a result, the carbon tax will increase costs for EU automakers and reduce their competitiveness in the global market.

2. Risks of distortion of competition conditions. Automotive component manufacturers in the EU are currently under increasing competitive pressure from other countries. CBAM will create unequal conditions for competition between European and foreign manufacturers. While European automotive component manufacturers will have higher costs due to the carbon tax, the costs of their foreign competitors will be comparatively lower. This

[22] Regulation (EU) 2023/956 of the European parliament and of the Council of 10 May 2023 establishing a carbon border adjustment mechanism. URL: https://eur-lex.europa.eu/eli/reg/2023/956/oj (accessed on 25.01.2024).

[23] Carbon Border Adjustment Mechanism. Considerations and proposals of France Industries. October 2021. URL: https://www.franceindustrie.org/wp-franceindustrie/wp-content/uploads/2021/10/France-Industrie-CBAM–Considerations-and-proposals-04102021-VF.pdf (accessed on 25.01.2024).

[24] Aljanabi Z., Henry A., Pegrum L. Assessment of European Carbon Border Adjustment Mechanism. CRU Consulting, 31 May 2022. URL: https://european-aluminium.eu/news_events/cru-study-assessment-of-european-carbon-border-adjustment-mechanism-regulation (accessed on 25.01.2024).

will worsen the situation for automotive component manufacturers in the EU.

3. Risks of accelerating unemployment growth in the EU. Increased costs for European automakers due to the introduction of CBAM will worsen the competitiveness of EU countries and accelerate the growth of unemployment associated with the phasing out of internal combustion engines in favor of electric motors. In general, transportation by electric trains is more efficient and competitive than transportation by internal combustion engine trains, largely due to the lower production costs and greater efficiency of the former. A locomotive with an internal combustion engine consists of more than 2000 components, and a locomotive with an electric motor consists of 20 components. In addition, the production of an electric train requires 70% less labor than the production of a train with an internal combustion engine. Due to the greater competitiveness of electric train transport in the EU, demand for cars is expected to fall further as rail transport continues to displace personal road transport. Reduced demand for cars will lead to job cuts in auto companies and increased unemployment in the EU. These negative effects will be exacerbated by the introduction of CBAM.[25]

CBAM will cause a sharp increase in prices for fertilizers in the EU, which will lead to a decrease in the competitiveness of the agriculture sector of the bloc.[26] An additional factor weakening the bloc's agriculture may be the rise in the price of agricultural machinery due to the introduction of CBAM. As noted in the official December 2021 statement of the European Agricultural Machinery Association (CEMA), "steel is a critical raw material for our industry. Depending on the type of product produced, it takes up 30–40% of its cost. A sharp increase in steel prices will weaken our industry, and will also worsen the situation for farmers, for whom our products will become more expensive".[27]

In addition, a number of scientific studies [13, 14, 18–25] indicate that the CBAM initiative contains numerous vulnerabilities. The main vulnerabilities of this initiative are as follows:

- CBAM contradicts the provisions of international law (UN Framework Convention on Climate Change, Paris Climate Agreement, GATT, WTO Agreements) [21–23];
- CBAM exacerbates existing inequalities between countries, shifting the economic burden of climate policy costs from countries using CBAM to those that do not use it [13]. This contradicts Paragraph 1 of Art. 3 of the United Nations Framework Convention on Climate Change, according to which "the Parties should protect the climate system for the benefit of present and future generations of humankind, on the basis of equity and in accordance with their common but differentiated responsibilities and respective capabilities"[28];
- CBAM does not contain a well-developed methodology for calculating the "carbon footprint" of imported goods [21, 22, 24];
- CBAM may be inconsistent with other government policy goals [14];
- CBAM has all the signs of discrimination, protectionism, and restriction of competition in the environmental and production spheres in relation to exporters [25].

One of the most significant vulnerabilities of the CBAM is the presence of a number of its contradictions with the provisions of international law.

1. Contradiction of the CBAM with the United Nations Framework Convention on Climate Change. According to Paragraph 1 of Art. 3 of the UNFCCC, "the Parties should protect the climate system for the benefit of present and future generations of humankind, on the basis of equity and in accordance with their common but differentiated responsibilities and respective capabilities". CBAM shifts the economic burden of climate policy costs from countries using CBAM to countries that do not use it [13].

2. Contradiction of CBAM with the provisions of the Paris Climate Agreement on global climate efforts of countries on the basis of common but differentiated responsibilities and respective capabilities

[25] Carbon Border Adjustment Mechanism. European Association of Automotive Suppliers. November 2021. URL: https://clepa.eu/mediaroom/clepa-position-paper-on-carbon-border-adjustment-mechanism (accessed on 25.01.2024).

[26] Position on a Carbon Border Adjustment Mechanism, especially for fertilisers. Deutscher Bauernverband. December 2021. URL: https://www.bauernverband.de/fileadmin/user_upload/dbv/pressemitteilungen/2021/KW_41_bis_KW_53/KW_50/27021_Position_on_Carbon_Border_Adjustement_for_Fertiliser_final_8_Dec_2021.pdf (accessed on 25.01.2024).

[27] CEMA Position Paper on the Carbon Border Adjustment Mechanism. December 2021. URL: https://www.cema-agri.org/images/publications/position-papers/CEMA_Position_on_CBAM_ 2021.pdf (accessed on 25.01.2024).

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considering different national circumstances (Preamble and Paragraph 3 of Art. 4 of the Agreement).

3. Contradiction of CBAM with Paragraph 15 of Art. 4 of the Paris Agreement, which expresses concerns with the problems of the Parties "with economies most affected by the impacts of response measures, particularly developing country Parties".

4. Contradiction of CBAM with Art. III of the GATT. In accordance with Paragraph 4 of Art. III of GATT 1947, the products of the territory of any contracting party imported into the territory of any other contracting party shall be given treatment no less favorable than that accorded to like products of national origin in respect of all laws, regulations and requirements affecting their internal sale, offering for sale, purchase, transportation, distribution or use (the introduction of CBAM is likely to place carbon-intensive goods in a better position than low-carbon-intensive goods).

5. Contradiction of CBAM with Paragraph 1 of Art. XI of GATT 1947 and WTO rules, which do not allow, among other things:

(1) discrimination between imported goods and goods of domestic origin;

(2) hidden restrictions on international trade.

In case of identified non-compliance and non-compliance with WTO recommendations and decisions, one of the temporary measures may be applied to the violator:

- compensations;
- retaliatory measures (suspension of concessions or other obligations) in accordance with Paragraph 1 of Art. 22 of the Understanding on Rules and Procedures Governing the Settlement of Disputes of April 15, 1994.

Due to the above risks and vulnerabilities, which determine the counterproductivity of the CBAM, the EU faces the challenge of reviewing and adjusting this mechanism. In this case, the CBAM needs to be adjusted, taking into account the positions of the main subjects of the global economy (Russia, EAEU, China, India, Brazil, South Africa, Argentina, Egypt, Iran, United Arab Emirates, Saudi Arabia, Ethiopia, USA, EU, Republic of Korea, etc.).

Conclusion

The results of the study show that the modern climate policy of the EU is a logical continuation of the implementation of the Marshall Plan to establish US domination over European countries with the aim of deindustrializing them. As a result of the implementation of this counterproductive policy that is contrary to the national interests of the member states, the EU is experiencing stagflation, quickly losing its competitive position in the global economy. In this new reality, the EU faces the challenge of reviewing and adjusting climate policy in the region.

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