



Conclusions of the fifth joint meeting of the European and Ukrainian Domestic Advisory Groups under the EU-Ukraine Association Agreement

Brussels - Kyiv, online meeting

22 October 2021

The representatives of the European and Ukrainian Domestic Advisory Groups (DAGs), set up under the Trade and Sustainable Development Chapter of the Association Agreement between the European Union and Ukraine, held their fifth joint meeting on 22 October 2021. Due to the COVID-19 pandemic, the meeting was held virtually.

The participants expressed their commitment to fulfill the mandate laid down in the Trade and Sustainable Development (TSD) Chapter of the Association Agreement, to monitor the implementation of the Chapter and to provide advice to the Parties to the Agreement. They agreed on the need to carry out an assessment of the impact of trade on sustainable development, including on economic growth, employment and the environment, in line with Article 298 of the Association Agreement, using the OECD methodology.

They regretted the fact that the joint statement adopted by the Parties following the EU-Ukraine Summit held on 12 October 2021 lacked aspects of sustainability. However, they took note of the willingness to continue the revision of the market access liberalization under the commitments of the Deep and Comprehensive Free Trade Area (DCFTA) but they stressed the need that both sides benefit from such review. Similarly, they regretted the low level of effective implementation of the TSD Sub-Committee's operational conclusions. In this regard, they reiterated their willingness to engage further with the TSD Sub-Committee as well as their wish to be invited to their meetings.

Furthermore, they deplored, once again, the fact that the Group of Experts had still not been established on the Ukrainian side.

In addition to the socio-economic impact of the ongoing COVID-19 health crisis, the DAGs discussed in-depth institutional issues:

- labour issues;
- consequences of implementation of EU acquis in the areas of environment protection, climate change and European Green Deal for Ukrainian economy (including CBAM),
- prerequisites required for transformation of Ukrainian energy and manufacturing sectors, including, but not limited to access to financing.

They agreed that the above issues would remain high on the agenda of the DAGs as long as the necessary measures have not been taken in Ukraine, in order to address the situation in a satisfactory manner and in accordance with international and European standards.

The DAGs called on the Government of Ukraine to develop and implement socio-economic policies that promote decent work, reduce poverty and unemployment, ensure fairness of taxation and wages, equality and non-discrimination, and provide quality and affordable public services in close consultation with national social partners. In this way, the decision-making process as well as EU's legislative initiatives that affect trade partners – third countries should,

whenever it is possible and appropriate, take into account mentioned issues and consider all social, economic and environmental aspects of their actions.

The DAGs call for TSD Sub-Committee to support the capacity of CSOs, including social partners, and to establish the effective procedures (including transparency) for public participation and monitoring of the chapter on trade and sustainable development.

With regards to **trade and labour** issues, **the DAG members:**

1. emphasize that Ukraine continues to ignore a number of key obligations in the field of labour rights under the Association Agreement and the DCFTA, such as freedom of association, collective bargaining, civil society participation, and socio-economic development, enhanced capacity of the social partners and CSOs, decent work and non-discrimination;
2. call on the Government of Ukraine to reform and amend labour legislation exclusively with the participation of social partners and civil society experts, following fully the recommendations of the International Labour Organization (ILO) and using the technical assistance it provides;
3. welcome the resumption of the work of the National Tripartite Socio-Economic Council (NTSER), but note that the Government's proposed labour law reform will force NTSER to initiate institutional changes and adapt to the realities of the new social dialogue to properly align economic and socio-labour reforms for sustainable development, decent work and welfare of citizens. Express hope that NTSER will have necessary mandate to and capacities to facilitate the development and adaptation of regulatory frameworks and social and economic policies that reflect interests of Ukrainian employers and workers and to advise the Parliament and the government in that respect;
4. emphasize the importance of providing universal and adequate social protection and regulating new or insufficiently regulated areas of labour relations, such as digitally mediated forms of employment or remote and domestic work in line with the EU acquis;
5. emphasize the fact that the spread of COVID-19 has exacerbated labour market problems, increased poverty, unemployment and exacerbated violations of workers' rights. This increases social tensions, individual and collective labour conflicts, and provokes mass labour migration of Ukrainians;
6. draw attention to the growth of wage arrears for workers in the private and public sectors; welcome the efforts of the Interagency Working Group on Wage Arrears with the participation of the social partners and civil society, while emphasizing the lack of efforts to protect workers' wages (in accordance, among others, with the ILO Convention 95 ratified by Ukraine), which led to debt as of 1 September 2021 of UAH 3.9 billion (equivalent to EUR 117 million);
7. reiterate that Ukraine has an obligation under the ratification of ILO Conventions 81 and 129, which provide for the functioning of the labor inspectorate to support effective mechanisms for safe work and formalized employment in Ukraine;

8. draw attention to the fact that the adoption of the draft law "On safety and health of employees at work" needs to strictly adhere to international occupational safety standards and to prevent a reduction in the level of protection of workers;
9. emphasize during the planning of the Just Transition Ukraine, in particular in the coal regions, the need to ensure social dialogue, establish trust among all stakeholders and protect the population of the regions, including the dismissed workers and their families, as well as to create favourable conditions for the development of new sectors of the economy and jobs creation;

With regards to sustainable forest management and related wood production and trade issues, the DAG members:

10. noted that Ukraine is committed to solving the problem of raw timber by replacing a simple export ban with more efficient mechanism to ensure the sustainable forest management;
11. welcome the development of the National Forest Strategy till 2035 and share its goals and principles, including the sustainable development goals;

With regards to trade, energy efficiency and climate change issues, the DAG members:

12. welcomed the adoption of Ukraine's second NDC to the Paris Agreement, Law of Ukraine on Energy Efficiency, as well as Strategy on Environmental Security and Adaptation to Climate Change till 2030, and draws attention to the need to further develop instruments within the climate governance architecture, including the development and adoption of relevant laws and regulations on sectoral and intermediate goals of climate neutrality, establishment and operation of the climate fund, the principles of good climate governance, carbon pricing;
13. reaffirm the importance of fulfillment of the international investment protection obligations for investments made in renewables and the importance of Annex XXVII "Energy Cooperation, including Nuclear Issues" of the Association Agreement for the implementation of relevant EU directives on energy efficiency in Ukrainian legislation, having evaluated the contribution of the energy sector reform to sustainable economic growth in Ukraine for the environment, the climate and Ukraine's security, measures taken in the field of energy efficiency and renewable energy sources, including eco-design and energy-labeling measures;
14. affirm that Ukraine fully shares the EU's long-term strategic goals for the environment and climate, and the implementation of the relevant provisions of Annexes XXX and XXXI to the Association Agreement continues. Ukraine renewed the Nationally Determined Contributions (NDC) in July 2021 and committed itself to reducing greenhouse gas emissions by 65% in 2030, which is more ambitious than the EU target. However, as stated in the NDC, this goal is feasible under certain conditions:
15. stable and predictable trade policy and the absence of restrictions and barriers on the part of Parties to Annex I to Parties to the Paris Climate Agreement and other countries that may introduce similar restrictions and barriers;

16. access to funding for projects on climate modernization from developed countries, the private sector, international financial institutions, and other donors.
17. advise bringing the state aid system in the field of "green modernization" and "just transition" in Ukraine closer to the European one by approximating the types and forms of such aid, in particular, contained in the draft updated criteria for assessing the eligibility of state aid in the EU in connection with the Green Deal;
18. note the increase of activity in various sectors and industries regarding the implementation of the European Green Deal in Ukraine, the interest and activity of business structures, especially regarding the introduction of the EU carbon border adjustment mechanism. Emphasize that this mechanism should become an effective tool for modernization and development of all sectors of the economy, contribute to the achievement of common global goals of climate neutrality and environmental security, nevertheless it is necessary to make a regular dialogue on CBAM more transparent and with involvement of all stakeholders, including business and civil society;
19. underline that the issues of market access, the pace of implementation of EU acquis in the areas of environment and climate, as well as means of financial support, should be duly addressed at the level of Association Council;
20. welcome the adoption of , development of technology transfers opportunities, joint participation in R&D activities (including in the scope of Horizon Europe) as well as enhancement of the Ukraine -EU High-Level Industrial Dialogue;

With regards to environmental issues, the DAG members:

21. welcome Ukraine's intention to synchronize its policies and legislation with the objectives of the European Green Deal and to take practical steps towards green transformation;
22. emphasize that the priority for strengthening cooperation between Ukraine and the EU in the context of the European Green Deal (EGD) should remain the effective approximation of Ukrainian legislation to the requirements of EU legislation in all areas provided by the Association Agreement. Effective domestic reforms in the areas related to the EGD should go hand in hand with development of the appropriate financial instruments and mechanisms for reducing risks for all sectors of economy in Ukraine arising from the EGD;
23. call for an approximation of 29 EU directives and regulations in the field of environment, paying special attention to areas with low progress, such as industrial pollution and waste management, environmental control, air quality, and nature protection; welcome the adoption of a Ministerial Order to approximate part of the EU animal welfare legislation but deplores that some legislation has not yet been adopted, and the implementation date set for 2026;
24. call on the Government of Ukraine to promote sustainable, inclusive "green" recovery and to refrain from direct and indirect subsidies for fossil fuels, in response to the impact of COVID-19;

25. regret modest progress in the area of trade in environmental goods and services highlighted in their joint conclusions adopted in 2020.