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What Are the Implications of the European Green Deal for EU-Turkey Relations?

The European Green Deal (EGD) aims to make the European Union (EU) climate neutral by 2050, a goal that imposes costs on businesses adapting to decarbonisation. To prevent companies in non-EU countries with lower environmental standards from gaining a competitive advantage, mechanisms have been established to incentivise CO₂ emission reductions that are in line with the EU's green transition. These mechanisms also encourage emission reductions in Turkey, whose commitment to climate neutrality by 2053 – ratified through the Paris Agreement – further aligns with these goals.

What are the implications of the EGD for EU-Turkey relations? Is it more of a potential barrier to trade or instead an incentive for cooperation? Could linking adjustments to the EGD with the modernisation of the Customs Union (CU) – as proposed in a recent European Parliament report – be a catalyst for deeper cooperation between the EU and Turkey?

Pier Paolo Raimondi, Istituto Affari Internazionali (IAI), Rome

As the EU adopts ambitious climate measures, it must take into account its competitiveness and the international dimension of the EGD. In this context, the EU established the Carbon Border Adjustment Mechanism (CBAM), which will price the embedded carbon emissions of certain imported goods to equalise the price of carbon content in domestic and imported products. The goal is to prevent carbon leakage – the relocation of industries that emit greenhouse gases to countries outside of the EU to circumvent European requirements – and preserve the competitiveness of EU industry as EU carbon prices soar. Furthermore, it aims at encouraging its trade partners to pursue more ambitious climate policies, including a carbon price. As a partial response, Türkiye ratified the Paris Agreement and announced climate neutrality by 2053. Besides having positive environmental consequences domestically, the measures are instrumental to shield Turkish industry from the liability created by CBAM, for example Türkiye exported 40 per cent of its goods to the EU in 2022. A slow implementation of mitigation policies in the industry sector could result in a loss of market share and

value for Turkish industry. Therefore, the question of future EU-Türkiye relations is of paramount importance, as climate policy increasingly influences trade and industrial policy. The deep integration of industries in the EU and Türkiye provides opportunities for cooperation in terms of investments as well as technological and knowledge cooperation. Simultaneously, some adjustments will be required to reconcile CBAM with the existing CU, thereby creating opportunities for its modernisation – and albeit some challenges.

Bahar Güçlü, Ministry of Trade of the Republic of Türkiye, Ankara

Türkiye's progressive integration with the EU single market through the CU necessitates an inevitable commitment to closely monitor and align with developments encompassed by the European Green Deal, including CBAM.

In line with Türkiye's Green Deal Action Plan, a series of initiatives aimed at promoting low-carbon production are in progress in the country. These include the establishment of a national emissions trading system (ETS), the formulation of strategic roadmaps for low-carbon growth in relevant industries, alignment with newly developing EU sustainable product standards and the augmentation of research and development incentives.

Türkiye views this ongoing process as an opportunity to embrace a sustainable economic growth model and strengthen our standing within sustainable value chains. Whether the EGD will be a stepping stone to sustainable trade and value chains or a barrier to trade will also depend on the extent and depth of the collaboration between Türkiye and the EU for preserving the free movement of goods under the CU in the context of the upcoming EU legislation. A case in point is the urgent need to address the discriminatory aspects of CBAM in terms of its scope, the incentives afforded exclusively to high-performing producers, and the dual costs and administrative burdens stemming from the verification and reporting processes.

The modernisation of the CU additionally offers a pivotal opportunity to both parties for strengthening trade, as well as fostering the competitiveness and resilience of value chains within our region, with a dedicated focus on digital and green transformation.

Kadri Tastan, Non-Resident Senior Fellow, GMF Brussels

The most transformative factor of our era concerning economic, trade and energy relations is undoubtedly decarbonisation. The implementation of the EGD – a comprehensive package to prepare the EU for carbon neutrality by 2050 – will have a profound impact on the EU's trade policy and its political relations with non-EU partners. Decarbonisation will be very costly for European industries and

sectors; therefore, trade will likely be used to foster climate action and ensure a level playing field for European sectors. CBAM illustrates the EU's commitment to employing concrete tools to safeguard its domestic industries and embed climate policy within its trade strategy. Turkey needs to accelerate its efforts and adopt more ambitious policies to mitigate adverse effects on its trade relations with the EU. Thus, there is a pressing need for a forward-looking vision regarding commercial relations between the two – a vision that considers the transformative impact of decarbonisation.

Due to a political bottleneck, the modernisation of the CU is not for tomorrow, despite the interests that are at stake for both sides. So, in the interim, it would be wise to prepare for the future and focus on decarbonising the economy. Hence, prioritising an approach that concurrently addresses decarbonisation and a revision of the CU – once the existing political hurdles are overcome – would be a sensible strategy.

A. Dilek Aydın, Turkish Industry and Business Association (TÜSİAD) Representative to the EU & BusinessEurope, Brussels

Since it was officially announced, the EGD has become indisputable: Its potential relies significantly on the EU's capacity to mobilise member states, accession countries and international partners. Thus, the EGD cannot be limited to the EU's geography. Nor can it be achieved through compartmentalised thinking and methods, given the political, economic and societal complexities of the transition to climate-neutral environments. An alignment of Türkiye with the EU's Green Deal cannot be achieved in isolation either.

A genuine partnership should be based on values and a long-term, geo-strategic vision. It also needs to embrace the deeply rooted and multi-layered nature of EU-Türkiye relations. Energy transition, sustainable agriculture and food security, net-zero industry transformation, green and digital infrastructure, ETS, smart mobility, green technologies, green finance, societal transitions and democratic governance are all interlinked.

Therefore, reactivating a constructive and future-oriented integration partnership while avoiding transactional models of cooperation would be a key catalyst. The modernisation of the EU-Türkiye CU and addressing the Sustainable Development Goals – especially digital, green and social progress – would be the most comprehensive and legally sound platform for the alignment with the EGD. Regulatory cooperation is essential for the CU.

This approach is shared by the Confederation of European Business, BusinessEurope: Modernising the CU would help efforts to combat climate change and support supply chains. Adapting the current EU-Türkiye CU to the era of the European Green Deal is good for Türkiye, the EU and the planet.

Bettina Emir, Centre for Applied Turkey Studies (CATS) at the German Institute for International and Security Affairs (SWP), Berlin

The EGD has wide-ranging implications, affecting not just EU-Turkey trade relations, but also economic, (geo)political, technical and environmental aspects. Collaborative efforts are underway in energy policies, for example in the expansion of renewable energies, such as on- and offshore wind power. Diversifying Turkey's energy sources aligns with both Turkish and European interests, including geopolitical ones.

Integrating CBAM with Turkey's evolving ETS presents a technical hurdle. Measuring CO₂ emissions for goods under the CBAM scheme in Turkey must be extrapolated, product by product, for exports to the EU. Close technical cooperation will be needed to align the systems.

Incorporating the EGD requirements into a modernised CU offers numerous advantages for their implementation. European concerns about modernisation need to be weighed against the urgency of global decarbonisation. This does not mean that any of the concerns should be ignored, but instead that efforts should be made to address different issues simultaneously. There is a chance that foreseeable economic benefits will provide an incentive to solve political problems.

Since no political convergence at a higher level is foreseeable in the near future, it seems expedient to strive for smaller common steps at the working level. This would involve bilateral analyses of issues in CU implementation and a detailed exploration of collaboration possibilities in the EGD. Building mutual trust through such efforts can have a positive ripple effect on various aspects of EU-Turkey relations.

Çiğdem Nas, Economic Development Foundation (İKV), Istanbul

The onset of the EGD created renewed urgency to revitalise and modernise Turkey-EU relations. However, owing to the stalemate in negotiations, the legislative alignment has become laxer and more discretionary. The CU, which is based on the Ankara Agreement, still forms a strong economic tie between the EU and Turkey. As the EGD ignited a rapid transformation in the EU economy and brought about significant changes in norms and standards in areas such as product regulations, sustainability and due diligence standards – coupled with the general incentive for the decarbonisation of economic production and conduct – adaptation and alignment with this change became more important for Turkish economic actors. CBAM brought to the EU the threat of additional carbon pricing in Turkey's major export sectors, such as steel, aluminium and cement, which could seriously impact the competitiveness of industry. Such developments intensified debates on Turkey's own climate policy and decarbonisation agenda, and they accelerated the urgency of ratifying the Paris Agreement, renewing the

decarbonisation targets and aligning industrial production with the changing norms and standards in the EU market. Although the EGD in this sense provided a new incentive for a revitalisation of bilateral relations on the basis of the green transition and the decarbonisation agenda, its spillover into the overall framework of relations – including political alignment – has remained limited.

Yaşar Aydın, Centre for Applied Turkey Studies (CATS) at the German Institute for International and Security Affairs (SWP), Berlin

The EGD is an opportunity to move beyond ongoing transactionalism in EU-Turkey relations: It would provide a new framework for action in bilateral and multilateral relations, allowing for a structured partnership between Ankara and Brussels. It is also important to see this partnership as a catalyst for the modernisation of the CU to the benefit of both sides. The EGD thus offers a new window of opportunity for revitalising relations. It is also necessary to integrate Turkey into the European energy market – the country's geographical location potentially makes it an energy hub for the whole of Europe in light of Russia's war against Ukraine. Besides existing pipelines, the Southern Gas Corridor, for instance, consists of several projects that will bring gas from the Caspian Sea to the heart of Europe. In addition, Turkey has huge potential to produce green hydrogen from renewable energy and is a growing market for renewable energy technology. The EGD also poses a challenge to the global competitiveness of Turkish products, especially those in energy-intensive sectors. However, it would be an opportunity for Turkey to initiate the necessary policy and technological upgrades. Cooperation under the EGD can help transform the energy used by these sectors into clean energy. It is in Turkey's and Europe's interests to reduce their dependencies on Russia through energy transition and decarbonisation.

Ahmet Atıl Aşıcı, İstanbul Technical University (İTÜ), İstanbul

The EGD has gained attention in Türkiye, prompting both business and bureaucracy to recognise the need for the Turkish economy to align with the changing EU market, which is Türkiye's primary export destination. In response, the Turkish Ministry of Trade introduced the EGD Action Plan in July 2021. It comprises 81 actions under nine themes to transform the economy on sustainable grounds, but it lacks solid, concrete steps. The CU agreement from 1995 significantly elevated Türkiye's exports, making the modernisation of this agreement crucial for the economy. Although Türkiye ratified the Paris Agreement and announced a 2053 carbon neutrality goal, further actions are needed, including establishing a domestic ETS, which has been under preparation since 2015, and committing to stricter greenhouse gas reduction targets. The EGD will play a crucial role in EU-Türkiye relations. Given the close economic ties, a common framework for a path towards more climate action and green transformation is both in the EU's and Türkiye's interests. Priority fields with high

potential for cooperation are: (1) clean energy transformation and carbon pricing; (2) sustainable industry and circular economy; (3) sustainable agriculture; (4) sustainable mobility; and (5) access to green finance and capacity-building. This cooperation can be achieved through the relevant decentralised EU agencies and via engagement in the EU's industrial alliances.

Abbreviations

CU	<i>Customs Union</i>
EGD	<i>European Green Deal</i>
ETS	<i>Emissions Trading System</i>
EU	<i>European Union</i>

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