

PARIS AGREEMENT AND THE GREEN DEAL: EU and Russia Green Deal research and innovation priorities

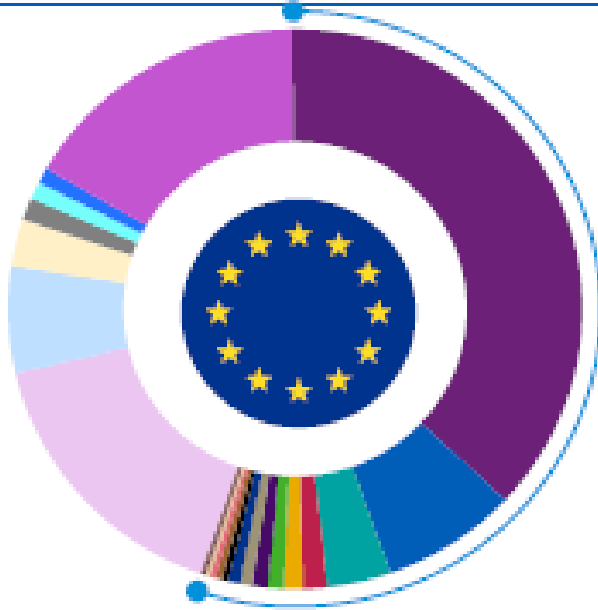
The potential role of forest & climate offsets in EU transboundary carbon regulation for Russia

Dr. Evgeny A. Shvarts, Institute of Geography RAS,
Independent director, UC RUSAL and NorNickel
Dr. Andrey V. Ptichnikov, Institute of Geography RAS

Open Innovations - 2020

Export of Russia to EU

Структура товарного экспорта РФ в ЕС*



16.0%	Прочие товары	44,6%
6.2%	Сырая нефть	37,1%
2.7%	Природный газ	7,7%
1.3%	Энергетический уголь	3,6%
1.0%	Медь и изделия из нее	1,3%
0.9%	Полуфабрикаты (Fe)	1,1%
16.5%	Пластики и эластомеры	0,9%
44,6%	Алюминий и изделия из него	0,9%
	Никель и изделия из него	0,7%
	СПГ	0,6%
	Фосфорные удобрения	0,4%
	Окатыши (Fe)	0,4%
	Электроэнергия	0,3%
	Азотные удобрения	0,3%
	Калийные удобрения	0,1%
	Металлургический уголь	0,1%
	Литейный (Fe)	0,0%

* According recent KPMG Russian report

- 46% of Russia export (by value) is directed to EU
- 55% of Russian export to EU is under risk of **transboundary carbon regulation** (TCR) and carbon tax*
- Anticipated additional **annual** taxation of Russian goods in the period 2020-2030 directed to EU is estimated as:

1,9 Bln USD under optimistic scenario (taxation starts at 2028, only Scope 1);
5,5 Bln USD under basic scenario (taxation starts at 2025, Scope 1 & 2);

- Russia is among the most affected countries by EU TCR due to its structure of export to EU

EU and Russia climate policies

1. Russia is 15 years behind EU in its GHG regulation legislation and its implementation.

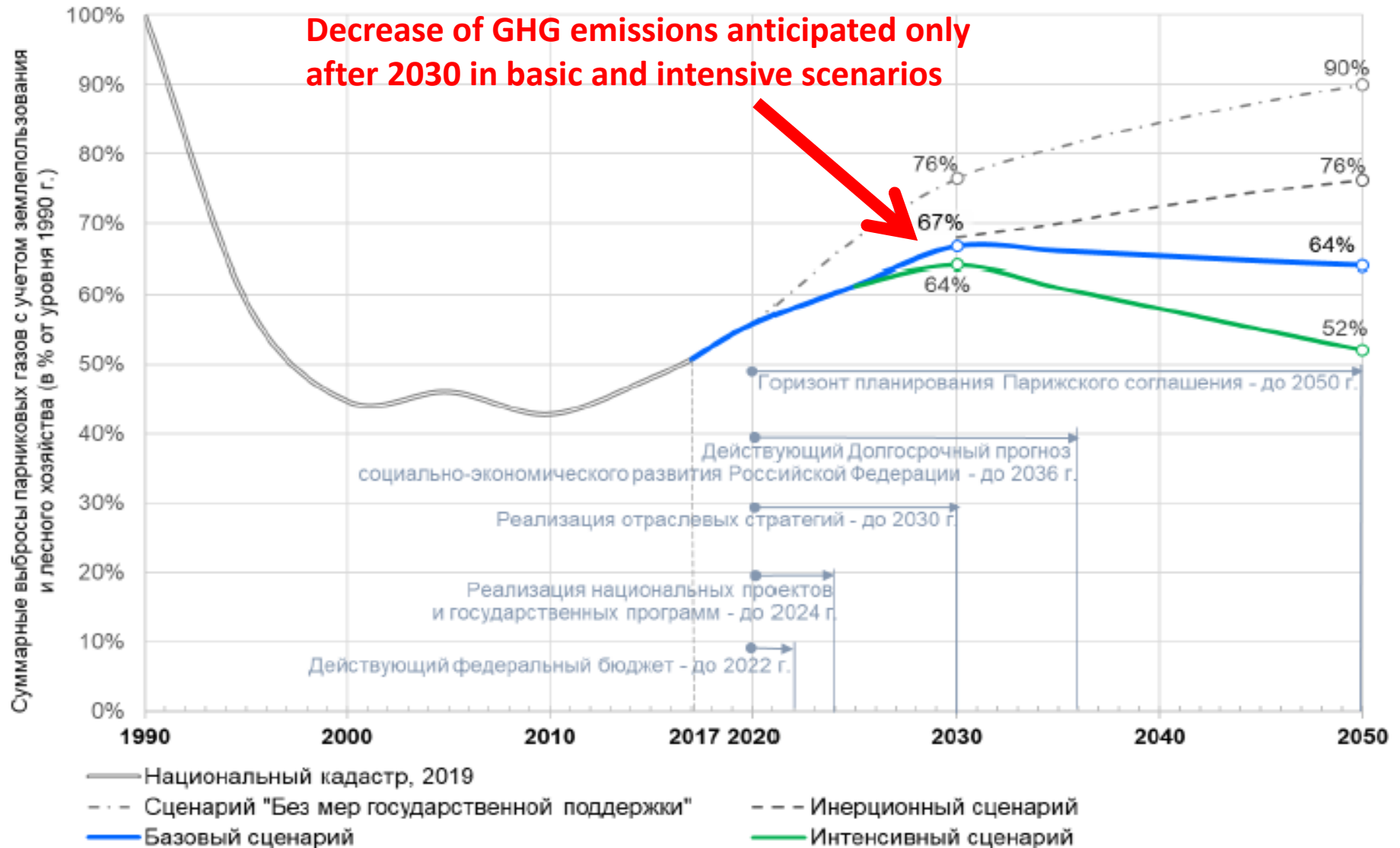
- EU launched its Emission regulation and emission trading system (ETS) in 2005 and implements it in a step-wise manner.
- Russia is only preparing its regulations (eg. draft law on State regulation of GHG emissions, strategy of adaptation to climate change etc) and is far behind EU in climate neutrality race

2. Russia has not yet clear sectoral targets of GHG emission reduction, clear mitigation and adaptation strategies to climate change

- According to the strategy of low carbon development of Russian Federation, adopted in 2020 by Russian Ministry of economic development the effect of national adaptation and mitigation strategies will lead to ***reduction of GHG emissions only after 2030 (in the best case scenarios!)*** – see next slide

Russian Ministry of economic development scenario of law carbon development of Russia

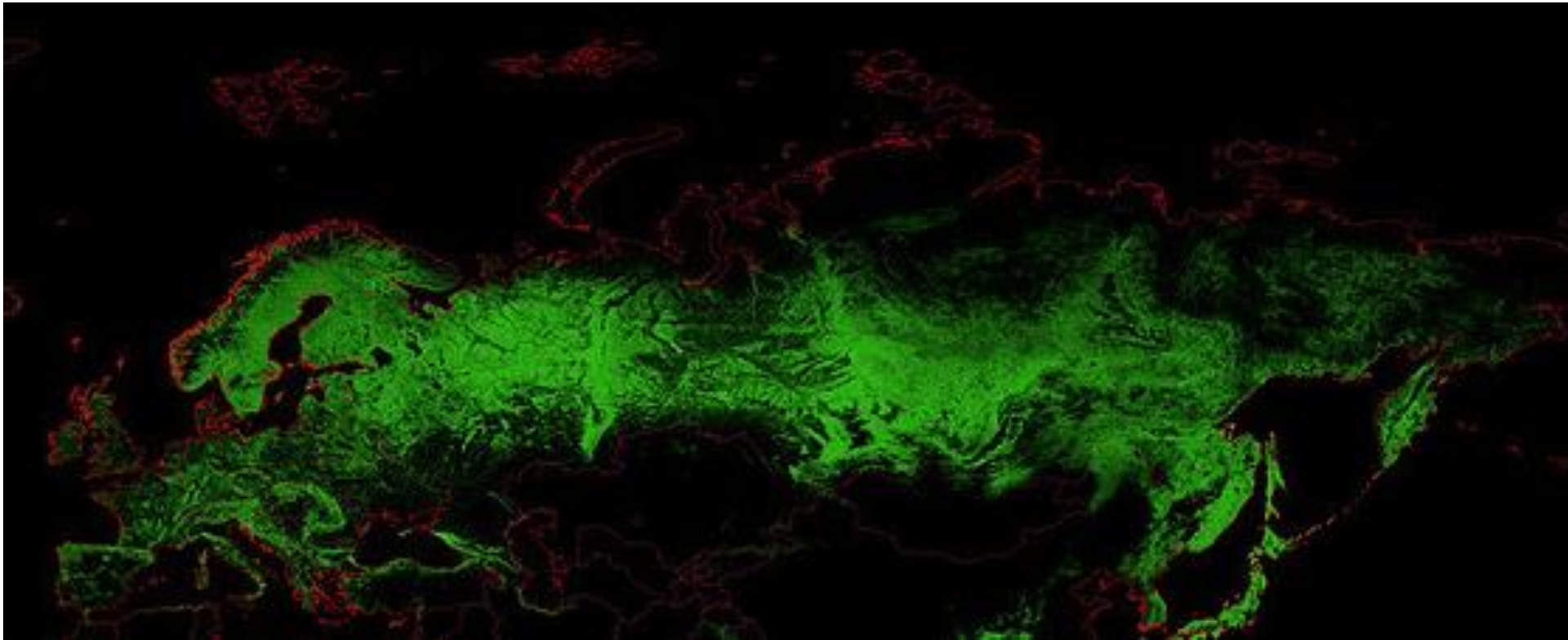
СЦЕНАРИИ ДОЛГОСРОЧНОГО РАЗВИТИЯ РОССИЙСКОЙ ФЕДЕРАЦИИ



Gap between EU TCR and Russian national regulations

- According to basic scenario of Russian export to EU, carbon taxation (or expansion of EU ETS to Russia) starts in 2025, while Russian national adaptation and mitigation strategies will provide necessary GHG emission reductions only after 2030.
- Most of Russian exporters are already implementing various GHG emission reduction programs. At the same time business in Russia most likely will not be able to implement ambitious GHG reduction programs alone to be fully in line with EU TCR requirements *in time*.
- As the result in the starting period (eg, 2025-2030) EU carbon taxation might be seen more a EU market protection measure, than a strong environmental driver to emission reduction as it should be.
- To solve this contradiction it is important to consider the difference between EU and Russia in carbon sequestration.
- EU main sequestration mechanism is energy efficiency, shift to alternative energy et al. **In case of Russia main sequestration area is improving Land and Forest management!**

Russia forests as the major sink of GHG emissions

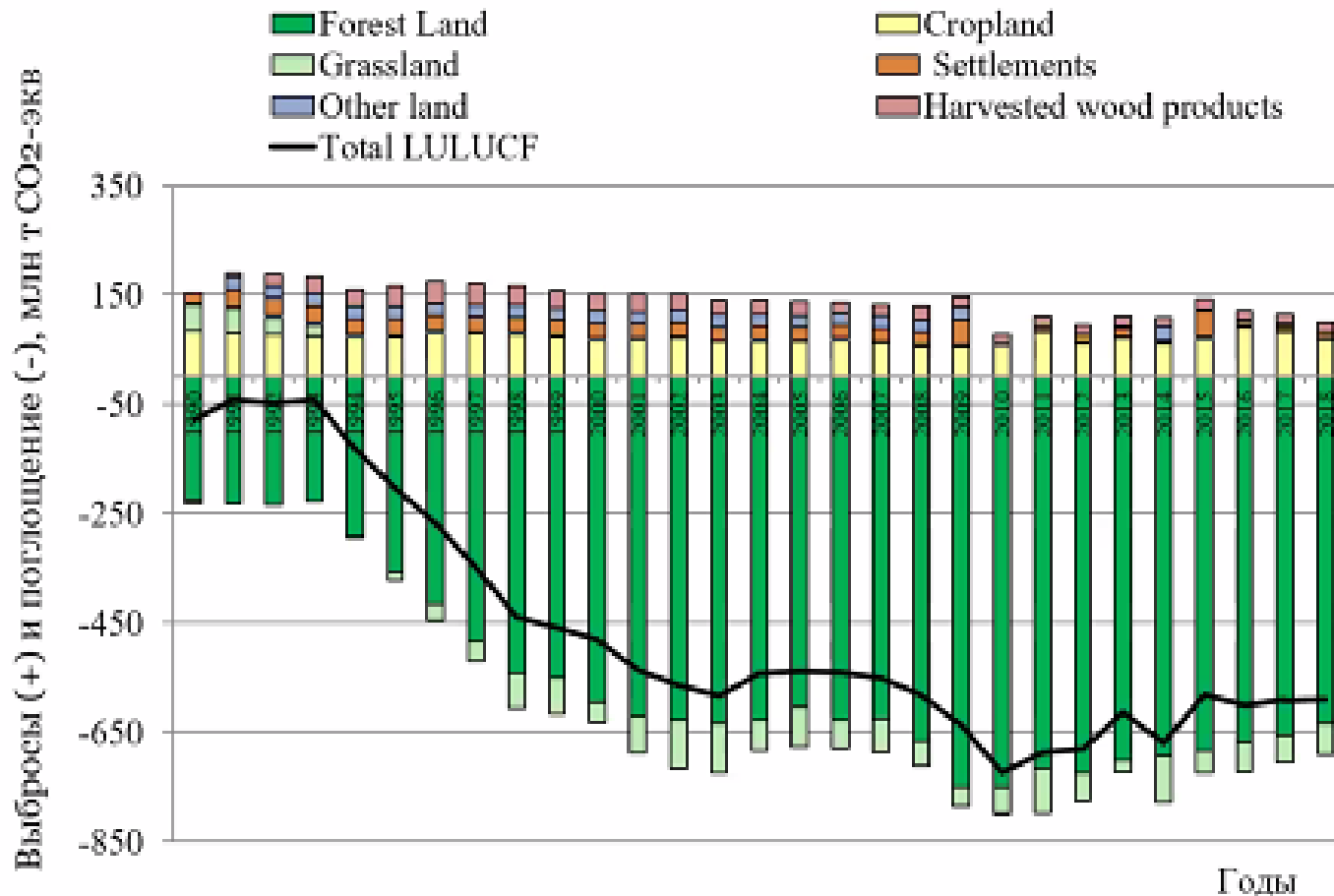


- The greatest potential in mitigation of climate change is within LULUCF and particularly in forest sector
- According to calculations (eg. IGCE (Prof. A. Romanovskaya) or KPMG Russia) the potential of additional GHG sequestration by forests is around 360-420 Mln t CO₂ eq per year. It is 40-50% sequestration potential of all types of climate projects.

Forest sector plays primary role in sequestration GHG in Russia

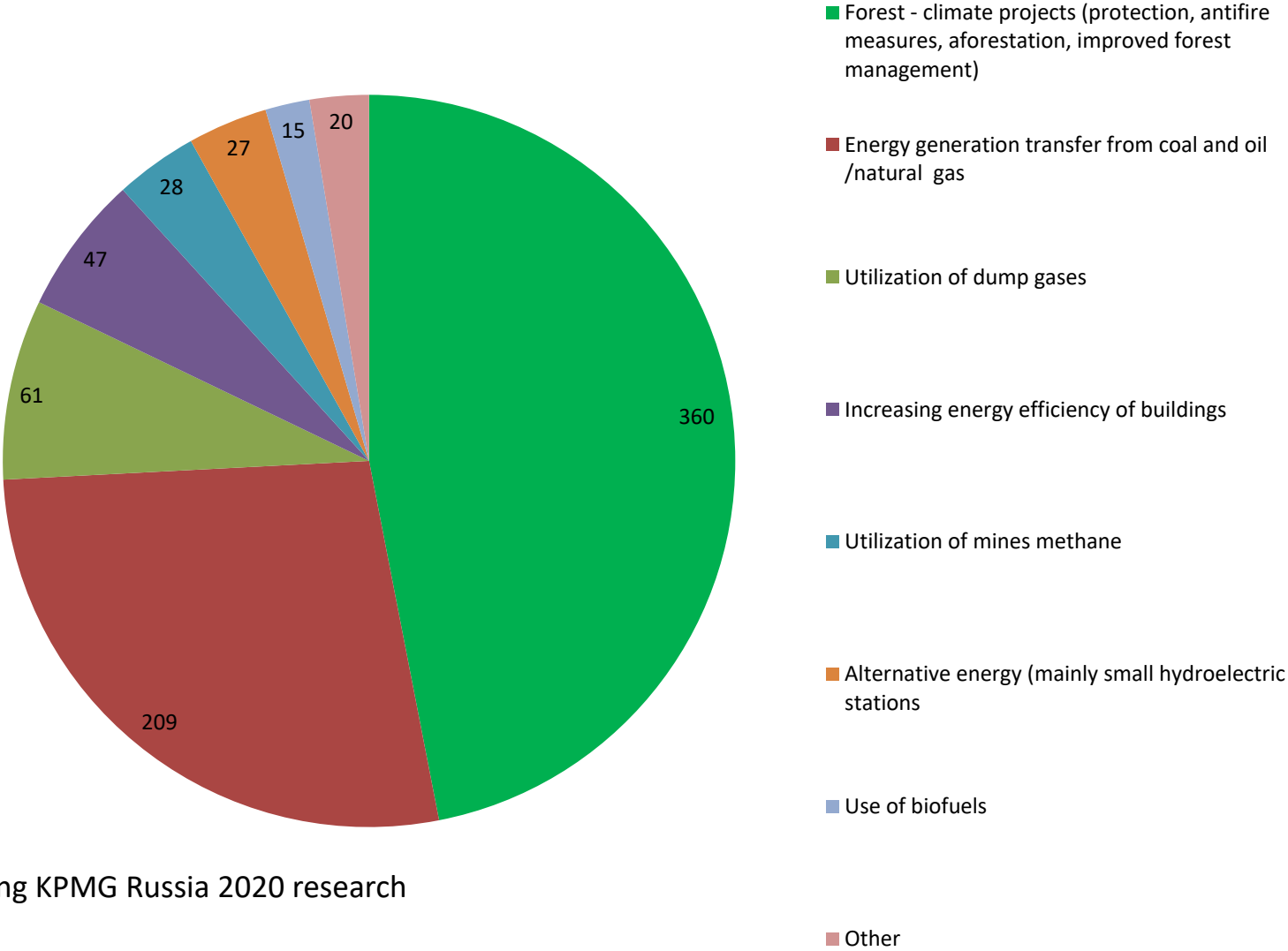


Результаты (сектор ЗИЗЛХ)



Carbon units generation potential of climate projects in Russia

1 mln CU = 1 mln t CO2 eq / year



* According KPMG Russia 2020 research

Forest & climate projects may provide sequestration up to 40-45% of all GHG emissions in Russia

Green Deal innovate Russian legislation

Вносится Правительством
Российской Федерации

Проект

ФЕДЕРАЛЬНЫЙ ЗАКОН

Об ограничении выбросов парниковых газов в атмосферный воздух

Глава I. Общие положения

Статья 1. Правовое регулирование отношений, связанных с осуществлением государственного регулирования выбросов парниковых газов

1. Настоящим Федеральным законом определяются правовые основы государственного регулирования выбросов парниковых газов в Российской Федерации.

2. Настоящий Федеральный закон регулирует отношения в сфере экономической деятельности, осуществляемой на территории Российской Федерации, в результате которой в атмосферный воздух поступают парниковые газы.

3. Целью настоящего Федерального закона является создание условий для устойчивого социально-экономического развития Российской Федерации с низким уровнем выбросов парниковых газов.

Current Government order opens window for around 30-50 mln ha of private forests



ПРАВИТЕЛЬСТВО РОССИЙСКОЙ ФЕДЕРАЦИИ

ПОСТАНОВЛЕНИЕ

от 21 сентября 2020 г. № 1509

МОСКВА

Об особенностях использования, охраны, защиты, воспроизводства лесов, расположенных на землях сельскохозяйственного назначения

Barriers to recognize forest climate offsets in EU TCR

- Current exclusion of forest and tropical REDD+ projects from quotation by **EU Emission trading scheme (ETS)** due to identified risks (forest fires, illegal logging et al) and non-sustainability of results

At the same time:

- No principal objections under Paris agreement to include **forest projects as climate projects under Art 6**.
- Inclusion of boreal forest projects in quotation by EU is a matter of negotiations between Russia and EU.
- In addition to GHG sequestration forest climate projects have very important role for enhanced protection of biodiversity of global value, for reduction of forest fires, conservation of indigenous people lifestyles, promoting better forest management.

Recognition of forest offsets in international process

- ***Russia has signed Paris agreement under condition of recognizing sequestration of forests***
- Kyoto Clean development mechanism (CDM) recognize forest offsets, such as REDD+
- **Voluntary carbon markets** recognize carbon units from forests / REDD+ projects,
- **Voluntary certification schemes**, such as Responsible steel, recognizes forest offsets
- There is experience in place to develop forest & climate projects, beneficial for biodiversity and indigenous and rural people in Russia
- **Four types of forest & climate projects may be explored**: forest protection in association with low impact forestry and certification, forest fires prevention and suppression, sustainable forest management and afforestation / restoration mainly in drylands.

All that create a solid basis for at least exploring the feasibility of forest offsets in EU Green deal with Russia

Proposal to EU (1): Recognize Forest offsets

- EU and Russia to explore in details the possibility *for exporters to reduce their carbon footprint through forest offsets, obtained under credible internationally recognized mechanisms, at least for a period of 2025-2030 (35), when other Russian national GHG sequestration mechanisms will not yet be deployed*
- Use of forest offsets may significantly facilitate integration of Russia into EU Green deal plan, and at the same time improve the resilience of Russia forests to Climate change.
- **Engagement of key exporters in a number of forest climate projects may enhance protection of biodiversity, ecosystem services, reduce forest fires and other negative impacts on forests**
- The feasibility of this approach may be explored in a pilot project(s) between EU and Russia under *«the Horizon 2020 Research and Innovation Programme»*.

Proposal to EU (2): Engage market based incentives, such as green finances and internationally recognized certification schemes in EU Green Deal process

To engage market based drivers, aimed to encourage low carbon processes and production, such as:

- Internationally recognized certification schemes, such as ASI (Aluminium stewardship initiative), RS (Responsible steel) et al as a proof for low carbon and “green” product;
- Green finances, based on ESG (environment & social governance) criteria;
- ***Pilot projects, aimed at harmonization of EU and Russia approaches in carbon taxation and driving toward low carbon and green future.***