Drivers of EU-Russian cooperation on environmental issues: the view from Russia

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The EU and Russia have a record of cooperation on environmental issues. However, their current cooperation regarding the role of the environment in the global economy and policy is not strong enough – even though it would be in the interests of both Russia and the EU (see EUREN Brief no. 9 by Georgios Kostakos & EUREN Brief no. 11 by Oldag Caspar). This area of potential cooperation is mutually beneficial and may contribute, under certain conditions and responsible policies, to the economic development and resolution of environmental problems.

Drivers of cooperation for Russia

For Russia, the important drivers of cooperation with the EU are rich natural resources (and all other environmental resources); the need to solve environmental problems caused by an inefficient economy; the orientation towards economic modernization, exports diversification and integration in the global economy.

Russia has the largest environmental resource base in the world, the largest territory and forest areas, as well as many types of mineral resources, such as oil, natural gas, timber, iron, copper, lead, zinc, nickel, tin, mercury, potassium salts, gold, platinum, palladium, silver, diamonds, etc. It also holds over 20% of the Earth's water resources and possesses the largest untouched areas in the world. Its ecosystem services provide the world with nearly 10 percent of its biosphere sustainability.

Russia's vast resources have stimulated a material intensive and low efficiency type of economy, thereby causing many environmental problems, including air pollution, water and soil contamination, as well as a depletion of natural resources. Hence, in 2018 Russia ranked only 52nd in the Environmental Performance Index, which assesses 180 countries on 24 performance indicators, measuring environmental health (air quality, water and sanitation) and ecosystem vitality (biodiversity, forests, fisheries, climate and energy, air pollution, water resources, and agriculture). According to this index, the most serious environmental problems Russia faces are in the areas of fisheries, biodiversity, climate and energy.[1]

Russia is currently number five in the world with regard to greenhouse gases emissions. If the amount of emissions is measured per capita, however, Russia is not amongst the global top ten. The economic sectors with the highest emissions are the energy sector, transport and other industrial combustion sectors. Addressing the emission of greenhouse gases requires joint solutions. This could form the basis for a coordinated policy between Russia and the EU. Moreover, Russia and the EU have common

[1] "2018 Environmental Performance Index", Yale Center for Environmental Law & Policy, Yale University, // https://epi.envirocenter.yale.edu/downloads/epi2018policymakerssummaryv01.pdf, (2018).

land and sea borders and interconnected biosystems, Therefore, many environmental issues have a trans-border character and can only be resolved by unified efforts.

Costs related to the solving of environmental issues while developing a traditional economy are already very high, and may further increase in the future. For example, the costs associated with a decrease in the quality of the natural environment are estimated to be 4-5 percent of GDP p.a. - without taking into consideration health issues. Health-related costs due to air and water pollution, over the course of some years, amount to 3-6 percent of GDP.[2] This means that the total cost of the deterioration of the environment could reach as high as 7-11 percent of GDP. This offers enormous potential for the economy, subject to it being restructured so that it treads the "green path".

Russia's economy needs modernization. Currently, it has relatively low economic development rates, which is due to both internal and external circumstances, including the financial and economic crisis of 2008-2009, the recent economic crisis and Western sanctions. A substantial proportion of the economy is based on outdated technologies, which means that resource usage efficiency is relatively low. According to preliminary data, 47 percent of fixed assets in 2018 were worn out, which affects greenhouse gases emissions and the general environmental situation.[3]

Since 1990, Russia's energy intensity has decreased by 1.4 times due to a change in the GDP structure (the increase in the economy's share of non-energy industries, including services, trade and the financial sector), the growth of natural gas in the energy balance, and the increase in energy efficiency. However, it is still substantially above the global average, by 1.7 times,[4] not to mention the average of more developed countries. This is mainly due to the cold climate and the structure of the national economy.

The modernization of the economy would enable Russia to achieve not only economic development, economic diversification and increased competitiveness, but also to improve its ecological situation. The ecological path of economic development, through a more active ecological policy, including the introduction of carbon regulations, could reduce costs and stimulate economic growth. This would more than outweigh the negative economic consequences.

The costs associated with the implementation of environment protection measures would be substantially lower than the costs of environmental deterioration. For example, for Russia to build water purification facilities, some 125 billion rubles (about 2 billion EUR) of private investments are required.[5] Necessary investments into the replacement of outdated oil pipelines, which cause 95 percent of oil spillage, should be in the range of 1.3 trillion rubles (about 28 billion EUR).[6]

Russia's environmental policy

Russia's environmental policy evolved from Soviet policies, which prioritized industrial development and were characterized by fragmentation, poor public participation and environmental agencies having little role in political decisions on economic development. During the Perestroika years, special state institutions were created in the area of environmental protection, the most important of which was the State Committee for the Protection of Nature, established in 1988. In 1994, the Russian Federation adopted a State Strategy for Environmental Protection and Sustainable Development. However, the sharp decline in industrial production (20-40 percent in different industries in the 1990s) and financing weakened the incentives to upgrade production and improve its efficiency.

Most of the 2000s was characterized by a decline in the activities of national environmental agencies. This was partly due to the transfer of most of their functions to regional authorities and the weakening of federal agen-

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[2] Рашид Исмаилов, "Экологические стандарты как инструменты управления качеством жизни", Экспертный совет при правительстве РФ, [Rashid Ismailov, Environmental standards as tools for managing quality of life, Government Expert Council], // https://open.gov.ru/blogs/5513735/, (September 14, 2015).

[3] According to Federal service of State Statistics, // https://www.gks.ru/folder/11189, (September 6, 2018).

[4] Tracking SDG7: The Energy Progress Report 2019, a joint report of the custodian agencies: IEA, IRENA, United Nations Statistics Division, World Bank Group, World Health Organization // https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2019/May/2019-Tracking-SDG7-Report.pdf, (May 2019).

[5] Ксения Редичкина, "60 законов было принято за последние 5 лет в сфере природопользования — Минприроды", Парламентская газета, [Ksenia Redichkina, "60 laws have been passed over the past 5 years in the field of environmental management, Ministry of Natural Resources reports", Parliamentary Newspaper], // https://www.pnp.ru/social/2017/04/25/60-zakonov-bylo-prinyato-za-poslednie-5-let-v-sfere-prirodopolzovaniya-minprirody.html, (April 25, 2017).

[6] Блоков И.П. "Окружающая среда и её охрана в России. Изменения за 25 лет". — М.: Совет Гринпис, [Blokov I.P., "Environment and its protection in Russia. Changes over the 25 years". — Moscow: Greenpeace Council], // https://greenpeace.ru/wp-content/uploads/2018/11/blokov.pdf, (2018).

cies' control over the implementation of environmental laws. In the same period, economic growth was mainly based on resource-intensive production, which contributed to the accumulation of environmental problems. It has also made relevant the issue of increasing production efficiency to improve the competitiveness of Russian products. This was reflected in the 2008 the Presidential Decree "On Raising Energy and Environmental Efficiency"[7] and the Federal Law "On Energy Efficiency".[8] Other fundamental conceptual documents and laws were adopted in the areas of socio-economic development, environmental development and energy policy.[9]

Despite its serious economic problems, Russia clearly states its commitment to the green development path and its environmental policy has become more active in recent years. New environmental laws and bylaws have been adopted, creating new economic stimulus in the environmental sphere. For instance, a 2014 federal law stipulated a comprehensive reform of the environmental management system and the introduction of Best Available Technology (BAT) principles to the environmental regulation of economic activity, which is a tool of the state's environmental and industrial policies.[10] The "National Project Ecology", adopted in May 2018 along with other national projects, aims to strengthen environmental protection by 2024. Its implementation implies drastic changes to the air and water quality, maintenance of biological diversity, improvement of waste treatment and the introduction of the best technologies available.

Moreover, the Russian government is working to introduce a comprehensive system of managing municipal solid waste, eliminate illegal dumps all over the country, and create an effective system that will monitor and control the quality of air. To improve the quality of drinking water, there are plans to modernize the water supply system and build new wastewater treatment facilities that employ advanced technologies.

Russia joined the Paris Agreement in 2019 and committed to reducing greenhouse gas emissions to 70-75 percent of the 1990 emission levels by 2030. However, in 2017 Russia's greenhouse gas emissions were only at 68 percent of the 1990 emission levels due to the economic downturn in the 1990s. Hence, Russia's envisaged targets have already been met, and emissions can even be increased. For the time being, the implementation of the Paris Agreement does not imply high costs for Russia.

The share of renewable energy sources in Russia's power balance is currently very low, at about 1 percent. Moscow is looking into increasing the potential of renewable energy sources. It is also carrying out a state program of targeting energy saving and increasing energy efficiency, which is a key factor in reducing the energy intensity of the GDP as well as emissions. This area of activity can form an important base for cooperation with the EU.

One important incentive for the greening of the economy and for fostering economic collaboration with the EU is Russia's growing integration in the global economy and the necessity for Russian companies to comply with international standards. This is particularly the case with companies that operate in the global market and work in "dirty" industries (such as oil, metallurgy, transport, wood and paper, etc.).

The introduction of climate policy measures in other countries (standards, subsidies for the producers of renewable energy and other measures) will lead to a reduction in demand for traditional energy goods. This will threaten Russian exports, as the share of carbon-intensive industries continues to exceed 60 percent. The EU plans to introduce border carbon adjustments to countries with no emission reduction targets. The harmonization of environmental standards with the EU's norms would be highly beneficial for Russia.

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[7] "О некоторых мерах по повышению энергетической и экологической эффективности российской экономики", указ президента РФ №889, ["On Certain Measures for Raising Energy and Environmental Efficiency in Russian Economy", Decree of the President of Russia no. 889], // https://rg.ru/2008/06/07/ukaz-dok.html, (June 4, 2008).

[8] Федеральный закон №261-FZ "Об энергосбережении и о повышении энергетической эффективности" [Federal Law no. 261-FZ "On energy saving and improvement of energy efficiency"], // https://rg.ru/2009/11/27/energo-dok.html, (November 23, 2009).

[9] Examples: Федеральный закон № 35-ФЗ "Об электроэнергетике", [Federal Law № 35-FZ "On Electric Power Industry"], // https://rg.ru/2008/08/26/elektroenergetika-dok.html, (March 26, 2003);
Распоряжение правительства РФ №1-р "Об основных направлениях государственной политики в сфере повышения энергетической эффективности электроэнергетики на основе использования возобновляемых источников энергии", [Decree of the Government of the Russian Federation № 1-r "On the guidelines of the government policy for enhancing energy efficiency of power industry based on the use of renewable energy sources 2020"], // http://government.ru/docs/20503/, (January 8, 2009);
Энергетическая стратегия России на период до 2030 года, [Energy Strategy of the Russian Federation until 2030], // https://minenergo.gov.ru/node/1026, (November 13, 2009).

[10] Федеральный закон №219-ФЗ "О внесении изменений в Федеральный закон №7 "Об охране окружающей среды"", [Federal Law no. 219-FZ amending Federal Law No. 7-FZ on environmental protection], // http://pravo.gov.ru/proxy/ips/?docbody=&prevDoc=102054722&backlink=1&nd=102356583, (July 2014).

At the same time, many problems persist in Russia's environmental policy: Environmental issues are still not a priority in Russia's economic policy and the interests of resource-intensive industries remain dominant. There is a lack of cooperation between the state, private businesses and the public on the development of key environmental laws. Attention payed to environmental education is still insufficient, although the level has recently increased. Environmental programmes are chronically underfunded due to economic problems.

Collaboration between Russia and the EU in the environmental field: past and present

Russia and the EU have collaborated in the environmental field for more than 25 years. Since 1991, the EU has provided technical assistance to Russia under TACIS and other support programmes, including for environmental projects.

Despite the general deterioration of political relations between Russia and the EU since 2014, environmental cooperation has never entirely ceased.

Since 2000, Russia and the EU have been working to harmonize environmental state standards and help Russian authorities to improve environmental legislation (the cost of which was €2.5 million).[11] The Cross-Border Cooperation (CBC) project supports sustainable development between the EU and neighborhood countries, including Russia. In the new round of CBC programmes for 2014-2020, the environment is one of the priority areas. There are seven CBC land-border programmes that involve Russia. These are in the Arctic, Karelia, South-East Finland-Russia, Estonia-Russia, Latvia-Russia, Lithuania-Russia, Poland-Russia.[12]

There are other important projects, such as the €100 million Civil protection project which aims to protect the environment and population by increasing the country's resilience to numerous external factors; cooperation in the Arctic Council, environmental protection and preservation projects in the regions of northwestern Russia and northeastern Europe, the Northern Dimension, etc.[13]

For example, the objective of the Northern Dimension Environmental Partnership (NDEP) is to help tackle the problem of pollution caused by poor waste-water treatment, insufficient energy efficiency measures and inadequate municipal, agricultural and nuclear waste management. This includes district heating rehabilitation projects in Kaliningrad and Vologda, wastewater projects in Petrozavodsk, and projects to address black carbon emissions from local heat and power generation in Karelia and Vologda. The overall pledged size of the NDEP support fund is €353 million, with the EU being the largest contributor, with a total of € 84 million.[14]

Last but not least, the EU and Russia are parties to the United Nations Framework Convention on Climate Change. They are actively collaborating on climate change and environmental issues within the framework of numerous international organizations, conventions and United Nations bodies and agencies.

Spaces for further collaboration

Russia and the EU are maintaining rather strong economic ties. The EU is the leading Russian trade partner. In recent years, trade between Russia and the EU has developed in complex conditions that have involved falling energy resources prices, the decline in the Russian domestic market, the termination or suspension of some investment projects and other problems, including mutual sanctions. As a result, trade volumes have contracted. However, the EU's share in Russian trade remains at 43 percent in 2018. Russia is the 4th largest export destination of EU goods and the 3rd largest source of goods imports.[15]

One area of collaboration may be the mutual trade of environmental goods. In 2016, the share of such goods accounted for only 0.23 percent of Russia's exports to the EU and 4.7 percent of the EU's exports to Russia.[16] At the same

[11] Anton Tamarovich, "Russia and the EU: Teaming up to save the environment in 2017?", Russia Direct // http://www.russia-direct.org/opinion/russia-and-eu-teaming-save-environment-2017, (January 6, 2017).

[12] "The European Union and the Russian Federation", Delegation of the European Union to Russia, // https://eeas.europa.eu/delegations/russia/35939/node/35939_tg, (May 30, 2019).

[13] Anton Tamarovich, "Russia and the EU: Teaming up to save the environment in 2017?", Russia Direct // http://www.russia-direct.org/opinion/russia-and-eu-teaming-save-environment-2017, (January 6, 2017).

[14] "The European Union and the Russian Federation", Delegation of the European Union to Russia, // https://eeas.europa.eu/delegations/russia/35939/node/35939_tg, (May 30, 2019).

[15] "The European Union and Russian Federation", Delegation of the European Union to Russia, // https://eeas.europa.eu/headquarters/headquarters-homepage/35939/european-union-and-russian-federation_en, (May 30, 2019).

[16] Calculations are based on UN COMTRADE statistics: http://www.trademap.org/.

time, trade in those goods contracted less than the overall trade between Russia and the EU between 2010 and 2016; the export of those goods from Russia has even increased.

The EU and Russia have a certain amount of experience in investment as well as in scientific and technical cooperation. The EU remains the largest investor in Russia. Its share of the total foreign direct investment stock in Russia was approximately 65 percent in 2018. Russian scientists participated in various EU science and technology projects, and EU researchers took part in Russian research and development programmes. In this sphere, there may be advances in the way they work together in order to improve resource efficiency and develop alternative sources of energy.

Other areas of future collaboration could be the further harmonization of environmental standards and the compatibility of environmental policy, as well as education and public awareness of climate change.

Cooperating with the EU in the environmental sphere could be very advantageous for Russia, both from an economic and environmental point of view. This is especially true in the current complex political situation. Business communities from both sides are willing to restore and continue economic ties, which could give them opportunities to increase their competitiveness. Russia and the EU should cease the opportunity to intensify their cooperation in this area, which is less politically sensitive compared to others and poses major challenges that go far beyond EU-Russia relations.

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