



Decarbonization of Russian real economy

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Decarbonization is a priority for Russian business



RSPP is the largest business association in Russia, uniting thousands of the largest Russian companies - representatives of industrial, scientific, financial and commercial organizations in all regions of Russia.

- ❑ Climate issues have been in the focus of attention of RSPP and its members since this agenda was brought up.
- ❑ In 2020, RSPP set up a Committee on Climate Policy and Carbon Regulation to address relevant climate issues.



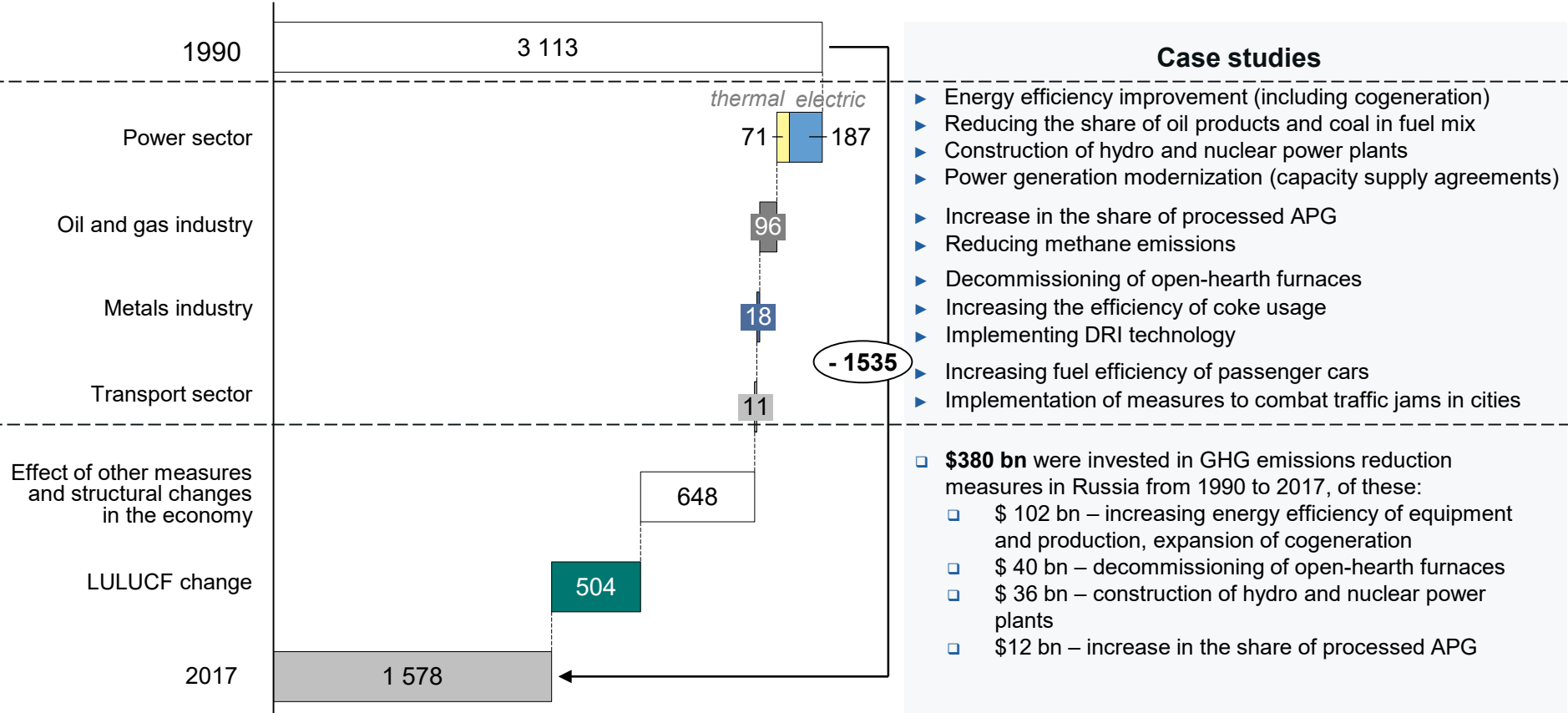
> 30
largest Russian
industrial companies



> 10
key research and
expert companies

Many activities have been implemented since 1990 to help reduce greenhouse gas emissions

Average annual reduction of GHG emissions in Russia due to the implementation of sectoral measures (including LULUCF), 1990-2017, mn t CO₂eq.



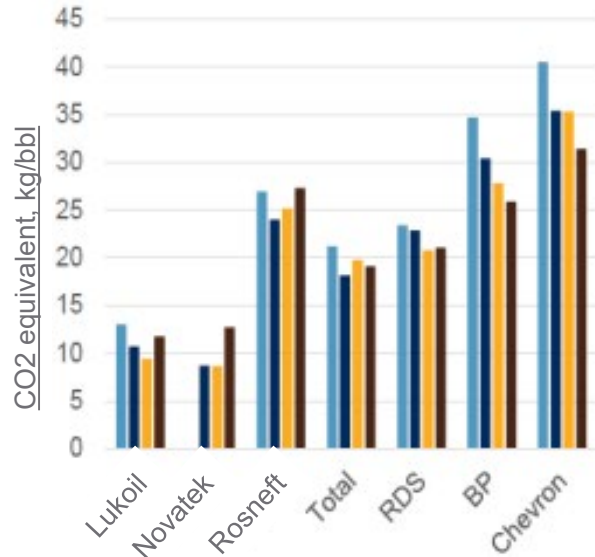
These measures made Russia an absolute world leader in reducing greenhouse gas emissions (48% reduction by 2018)



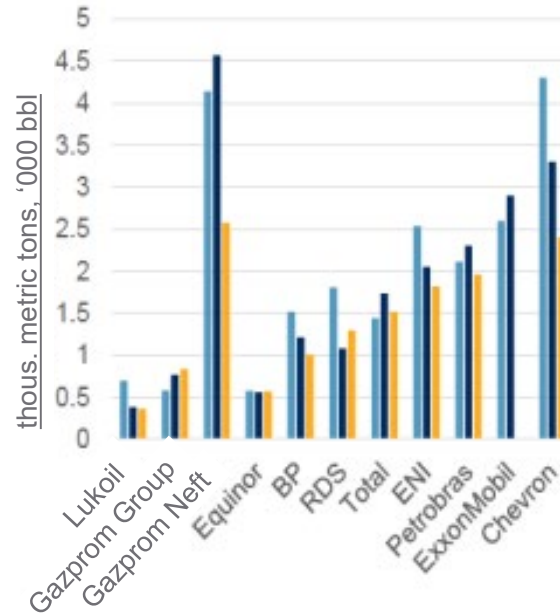
Source: EY analysis

Structural features and the implementation of targeted measures allow Russian companies to be in an advantageous position relative to competitors from other countries

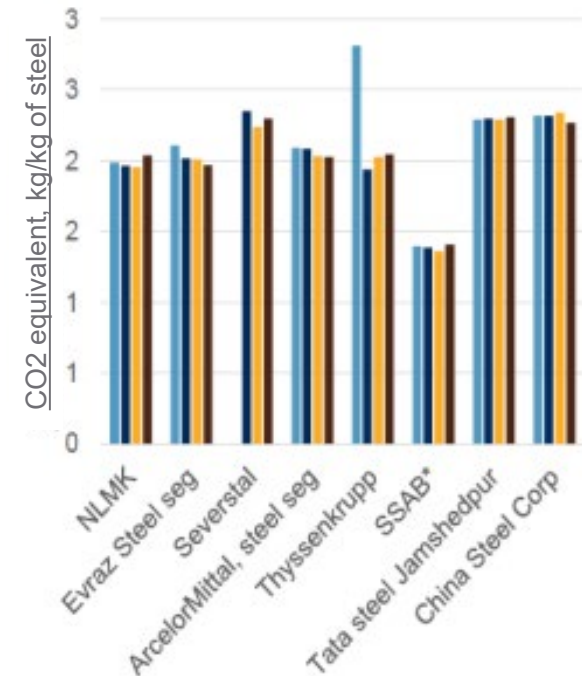
GHG emissions, oil and gas industry



Associated gas flaring



GHG emissions, steel producers



GHG emissions in oil and gas industry include Scope 1 only. *Only CO2
Source: company data

■ 2017 ■ 2018 ■ 2019

S&P Global
Ratings

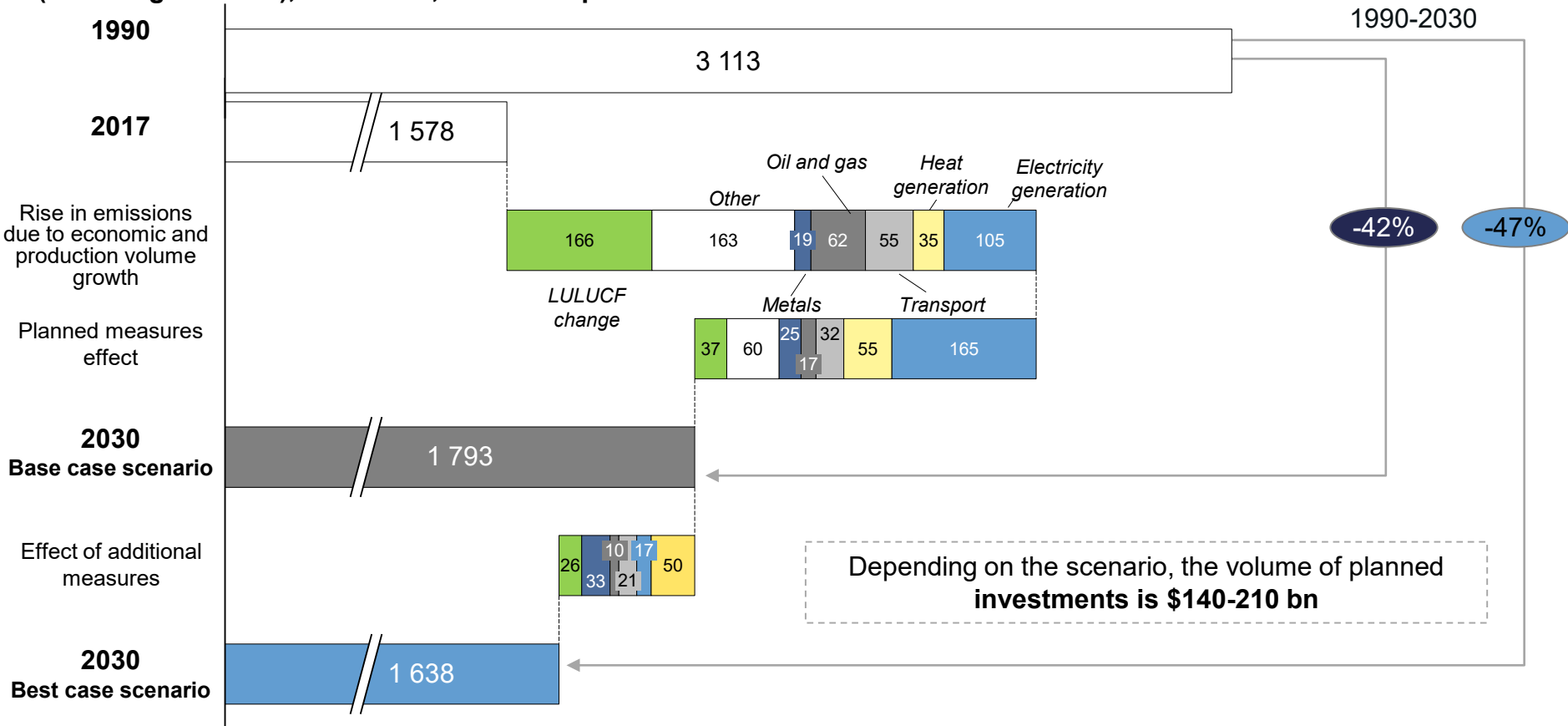
Recent years saw attempts to neutralize the competitive advantages of Russian companies, incl. with the help of such artificial and non-transparent tools as proposed EU CBAM



Many activities are already planned for the period up to 2030 to help reduce greenhouse gas emissions

Russian GHG emissions trends forecast in terms of planned measures (including LULUCF), 1990-2030, mn tCO₂eq.

GHG emissions trends 1990-2030



By 2030, the Russian Federation will remain one of the world leaders in reducing emissions relative to 1990 levels, even with growing production volumes



Source: EY analysis

The development of the climate agenda brings both opportunities and risks for the real sector of the economy

Opportunities



- Participation in global trade of GHG emission reduction units (results of climate projects - under the mechanisms of Article 6 of the Paris Agreement)
- Gaining new market niches through competitive advantages associated with the low carbon intensity of Russian goods
- Development of energy efficient and digital technologies

Risks

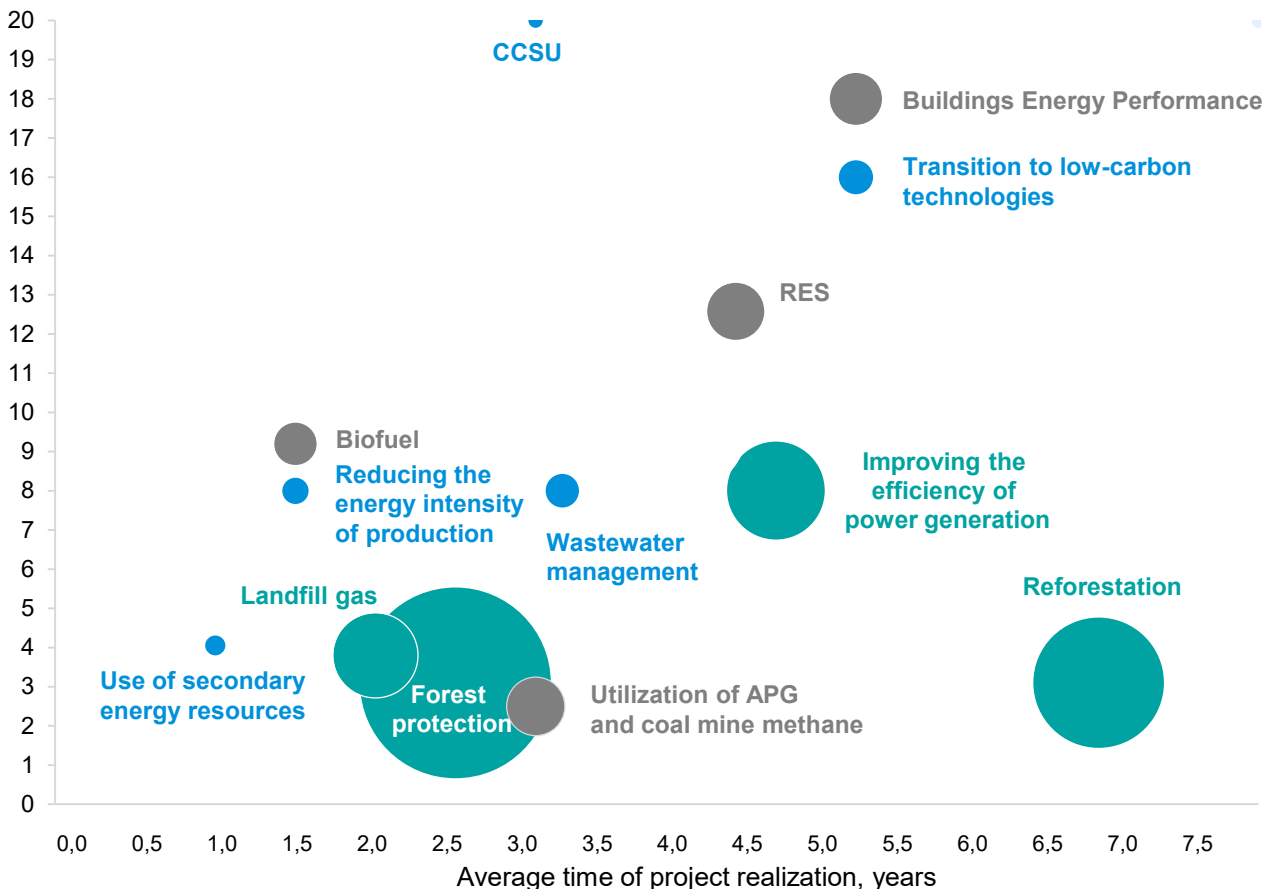


- Reduced demand for certain carbon-intensive products
- Possible expenses under European Carbon Border Adjustment Mechanism (CBAM)
- Growth in tariffs for heat and electricity, other housing and communal services, transportation, etc. for all types of consumers in Russia in case of application of restrictive mechanisms of climate policy

The main mechanism for maximizing opportunities and managing risks is the implementation of climate projects (measures to reduce emissions and increase GHG absorption)

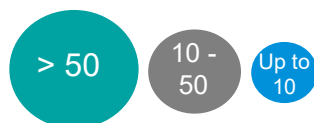
Potential for the implementation of climate projects in Russia can reach up to 900 million tons of CO₂eq. per year

Cost of Russian climate projects ensuring payback, EUR/tCO₂-equivalent



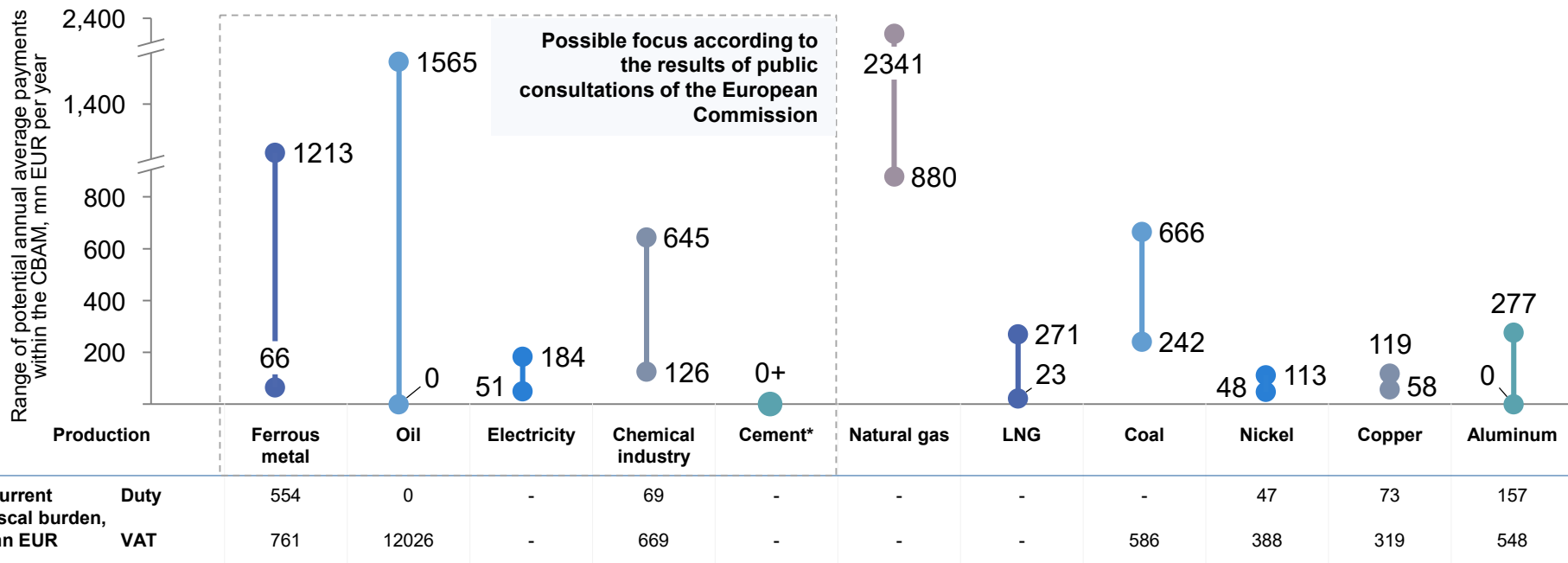
- Projects should be implemented on a voluntary basis and in unconditional compliance with all international standards and methodologies.
- The potential depends on access to funding and the absence of artificial restrictions (the principle of "technological neutrality" - emission reductions, not the promotion of technologies, are important).
- Projects with emission reduction costs of less than €10 per ton of CO₂-eq have the main potential in the Russian Federation.
- The most promising types of projects (forestry, methane utilization) can be implemented with costs less than €5 per ton of CO₂-eq.

GHG emission reduction potential, mn t CO₂eq./year:



EU carbon border adjustment mechanism (CBAM) – one of the most discussed business risks in the climate agenda

Potential tax burden from the introduction of CBAM by categories of Russian goods exported to the EU



*The volume of cement exports to the EU is less than \$ 3 million, which is insignificant for analysis purposes.

Provisions to be met by carbon border adjustment:

- Unconditional compliance of CBAM with the norms of international law, including WTO, UNFCCC, and the Paris Agreement.
- Consideration of individual indicators at the level of individual producers when calculating the amount of payment.
- Taking account of the results of voluntary climate projects when assessing the carbon intensity of products.
- Recognition of estimates of emissions and removals of greenhouse gases according to national methodologies, taking into account the peculiarities of countries and their conditions.
- Ensuring equality and non-discrimination as the basic foundations for CBAM development, including taking into account the fullness of support measures for European producers and the real effective rate of carbon payment in the EU.

Only a fair and reasonable approach to the introduction of CBAM will ensure avoiding trade disputes and retaliatory trade restrictions



Thank you for your attention!