

Vested Interests Stymie Climate Action

By [The Moscow Times](#)

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LONDON — Insufficient support is holding back climate action across the bloc of former communist countries and Turkey, an EBRD report said Wednesday.

The European Bank for Reconstruction and Development called for a sweeping system of carbon pricing, whether through taxes or cap and trade schemes, across the region that extends from Eastern Europe through to Ukraine, Russia and Kazakhstan.

"Achieving international climate goals will not be possible without a carbon price in Russia and the whole region," said EBRD chief economist Erik Berglof.

The EBRD report found that governments could also boost emissions cuts by liberalizing energy prices, supporting renewable energy and introducing efficiency standards, following an in-depth study of Russia and Turkey.

"The 2009 policy framework in Russia and Turkey is shown to be patently insufficient," the report said, while noting that useful laws were planned or had been passed.

The report pointed to the influence of powerful fossil fuel lobbies in Russia and Ukraine.

"The carbon-intensive industry in Russia is extremely powerful, and ... has long enjoyed close links to the Kremlin: Before his election, President [Dmitry] Medvedev served as the chairman of Gazprom, a state-owned energy company," it said, while adding that Medvedev had "embraced" the issue of global warming.

Russia and other former communist countries have a legacy of energy waste from an era when state-owned companies didn't have to compete in liberalized markets.

The report found that in Russia, subsidized household power prices were holding back efficiency investment by making it too cheap to waste high-carbon, fossil fuels.

Previous McKinsey studies had underestimated the costs to private investors of driving emissions cuts by discounting such factors, as well as investment risk, the EBRD report said.

The EBRD focused on private investors, who face a higher cost of capital than governments.

"Many of the abatement opportunities deemed to be money-saving are unlikely to be financially viable in the marketplace," the report said.

Political instability was also holding back long-term investment in some countries, such as Ukraine, where inefficient steel mills needed funds for modernization.

"In Ukraine the business environment is the No. 1 obstacle," Berglof said.

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