

# Will EU Green Deal Force Russia to Clean Up Its Act?

**Russia's inaction on climate issues could lead to new problems in its relationship with the EU.**

By [Natalia Paramonova](#)

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**Maxim Shipenkov / EPA / TASS**

The European Union is gradually recovering from the new coronavirus pandemic and beginning to repair its economy. That economic recovery will happen in accordance with the Green Deal adopted at the end of last year, which is designed to drastically cut CO2 emissions and make the EU economy climate neutral by 2050.

For Russia, where environmental policy consists of little more than declarations, that decision by its biggest foreign trading partner could throw up many difficulties, especially for Russia's traditional exports: oil, gas, and coal. The growing role of the environment in Russia-EU relations was discussed at a recent [webinar](#) titled "Europe's Green Deal and Recovery Plan and

Their Relevance for Russia,” organized by the EU Delegation to Russia.

In embarking on its Green Deal, the EU aims to become a world leader in tackling climate change, and to prompt other countries to be more active in implementing the Paris Agreement on climate change. The backdrop to Europe’s persistence on this issue is that the United States has withdrawn from the agreement altogether, Russia is expanding its plans to develop coal and oil deposits, and China and India have fairly weak environmental policies. Those four countries account for more than half of all global greenhouse gas emissions, while the EU accounts for just over 10 percent.

In Russia, the adoption of the EU’s Green Deal was barely registered, which is not surprising. Russia essentially has no strategy for combatting climate change or adapting to it. The country’s environmental doctrine — and even its ratification of the Paris Agreement — are more of an international PR strategy than anything else. Its domestic climate policy documents are vague declarations that often contradict other projects, such as a program to increase production of coal — the most polluting energy resource — through 2035.

Equally, Russia has only taken on very modest obligations under the Paris Agreement, pledging to keep CO<sub>2</sub> emissions at no more than 70 percent of their level in 1990. The country could achieve that goal without making any effort at all, according to Anna Romanovskaya, director of the Institute of Global Climate and Ecology at the Russian Academy of Sciences. Such conservative goals create no incentives for the Russian government to take even elementary measures, such as protecting against forest fires, soil conservation, and modernizing industry.

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Russia’s inaction on climate issues could lead to new problems in its relationship with the EU. The Green Deal, for example, envisages the introduction of an EU carbon border tax, which alarms Russian exporters.

It hasn’t yet been decided how exactly the tax will be calculated, but in theory, the figure will depend on the volume of emissions caused by the production of the goods in question. Oil processing, for example, uses energy produced by CO<sub>2</sub>-generating coal power plants.

The carbon tax on imports should even up the rules of the game for European and foreign manufacturers, and provide a stimulus for foreign companies to reduce their CO<sub>2</sub> emissions. The tax will have the biggest impact on the price of oil, coal, and gas being supplied to the EU, causing price increases upon crossing the EU border. Which companies will pay the carbon tax and whether they will be able to avoid it and how will only become clear after consultations with the EU.

Russian companies naturally do not welcome the tax, since at home there are no such incentives to cut emissions. The EU’s response is that the new tax can be avoided if other countries also introduce analogous environmental standards.

The prospect of that happening in Russia is doubtful. The Russian Union of Industrialists and Entrepreneurs opposes any limits to CO<sub>2</sub> emissions on the grounds that such limitations will

lead to an additional tax that will be used for unclear purposes, and that it will not bring any benefits.

Opponents of carbon emissions regulation have secured the exclusion of any obligations for companies from the Russian law regulating greenhouse gas emissions. In Russia, the entire infrastructure for tackling global warming (except for monitoring) will be assembled on a voluntary basis.

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Yet it's unlikely that Russian exporters will be able to avoid cutting their CO<sub>2</sub> emissions indefinitely. The EU has been considering introducing additional tariffs for polluters ever since the Paris Agreement was adopted in 2015. There is already indirect pressure on companies: for example, when taking out a loan or selling assets on European stock markets, they must present their CO<sub>2</sub> emissions records.

Some Russian companies are trying to adapt to the new environmental conditions. In 2017, Rusal launched Allow: climate-neutral aluminum made using 90 percent renewable energy (mostly hydroelectric). Allow has reportedly proved popular with major buyers keen to demonstrate their attention to environmental concerns.

A range of other major Russian exporters are already carrying out risk assessments related to the EU's Green Deal. Oil, coal, and gas companies are trying to calculate for themselves the carbon footprint left by their production. The size of the EU carbon tax will depend greatly on the methodology used to calculate impact.

For now, however, all the steps taken by Russia look very basic. Soon the EU will adopt a climate law that will become the legal foundation for the carbon border tax. Consultations with countries and exporters are due to begin any day now. Reaching a compromise will be no mean feat: the starting positions of both sides are very distant from one another.

While the EU plans to spend more than a trillion euros on economic recovery with the help of green projects, the Russian government is helping the oil and gas sector to weather the crisis, thereby ensuring the preservation of a resource-dependent economy with large CO<sub>2</sub> emissions.

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