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Russia's green economy

The country's ecological transition is slow and tenuous – but it is happening

Read this article in Russian.

Environmental issues are currently all the rage in Russia. They feature in government debates and board meetings, emerge at regional protests and appear in the media and on social networks. Making industry eco-friendly is one of the nation's most pressing concerns, given the damage that has accumulated (often dating back to Soviet times) and the fresh destruction being wreaked on the environment.

A few years back, the major polluters came to their ecological senses and began investing in treatment facilities, implementing energy- and resource-efficient technologies and taking a more responsible approach to waste management. At the same time, the process is incredibly slow – substantially too slow for those who support a green Russia. This mainly has to do with a crisis of trust and the lack of a systematic, strategic vision and management.

The year 2017 was Russia's Year of Ecology and it seamlessly transformed into a national project entitled 'Ecology', which is still being developed and awaiting approval. It foresees modernising production capacity, housing infrastructure and public services with the aim of decreasing emissions polluting the air, water and soil.

'The project is intended to improve the quality of life of more than 27 million Russian citizens. It envisions the creation of 24 new protected natural areas and the full provision of quality drinking water for the national population. Plans are afoot to clean the River Volga, Lake Baikal and other major bodies of water, significantly decrease air pollution in industrial centres and create a modern, eco-friendly system of waste disposal. The project also sets out an itinerary for the transition to the best available technology (BAT),' reports the Ministry of Natural Resources.

At the same time, the Ministry of Finance is planning to introduce a new

ecological tax to the fiscal code as a replacement for six separate payments levied for destructive environmental impact. A reform of environmental regulations should also come into force early next year. It proposes reworking the programme for ecological modernisation and recommends manufacturers make the transition to BAT by installing meters that automatically monitor quantities of waste produced. If manufacturers conform to the new standards, they will be exempt from a range of taxes on the disposal of pollutants.

The obstacle course for Russia's green transition

In practice, these reforms encounter a series of obstacles. Industry representatives are still attempting to persuade authorities to postpone the implementation of various demands and reforms, claiming that Russian companies are beleaguered enough by international sanctions and the global business climate. The Russian Union of Industrialists and Entrepreneurs (RSPP), a powerful lobbying power made up of the major national corporations, constantly condemns and impedes new initiatives that require the industrial sector to go green. They allege that virtually any changes would increase the administrative and financial burden on businesses and undermine the economy as a whole. However, RSPP representatives recently reaffirmed their support for further 'adjustments' to the BAT reform and a review of the list of major polluting companies.

Individual corporations have written to the government, asking it to delay environmental action, including the transition to BAT, after appearing on the sanctioned list or complaining that *Rosprirodnadzor*, the Russian federal environmental monitoring service, is monitoring them too strictly. It's worth noting, however, that the transition to BAT was originally proposed to reduce the administrative burden placed on industry, especially with respect to *Rosprirodnadzor* checks.

Most ecological crises are dealt with according to the mantra 'if it ain't broke, don't fix it'.

This rhetoric is deceitful, but it contains an element of truth. Most companies perceive any change the status quo as an attempt to divert more money from business to the federal coffers and force corporations to pay without solving concrete problems. Local authorities, including inspection bodies, do indeed often act like tax collectors (both official and unofficial) and demand urgent payments from businesses to resolve some burning social problem. That's the reason why industry representatives are sceptical

of the proposed new payments. As a result, there is no real action being taken to introduce new equipment or reduce waste. Fines are simply paid and problems are side-stepped rather than solved.

On the other hand, employees of inspection bodies (including *Rosprirodnadzor*) complain in informal discussions that corporations are uncooperative and that it's practically impossible to identify violations and hold offending businesses accountable. Neither side trusts the other, which leads to cover-ups and actions taken purely for show.

There are a few conversations about the lack of funds for 'green finance' in Russia. International funds and donors are all but inaccessible due to sanctions, institutions have yet to create green financial packages, a significant proportion of businesses are debt-ridden and credit rates are incredibly high. Not to mention the fact that capital is valuable in Russia and any green investments involve long repayment periods.

In the past few weeks, the World Bank and the Bank of Russia's Expert Council on the Long-Term Investment Market published their recommendations for developing the Russian market for green finance. In order for industry to become more eco-friendly, companies need long-term loans for green projects with reasonable interest rates and long repayment periods, but a strategic, systematic vision of green development in Russia is no less vital.

The green agenda needs to be strategic

Given that environmentalists and members of local protest groups are still accused of being foreign agents, and calls to reduce the global consumption of fossil fuels are labelled an anti-Russian conspiracy, the country is in dire need of a general, strategic understanding of the green agenda. What are our goals and benchmarks? Why are we doing what we're doing? Which instruments and effectiveness indicators are we using? Is there a plan B in case some large-scale ecological project doesn't work? Are all affected parties being considered, not just the strongest and those who shout the loudest?

Most ecological crises are dealt with according to the mantra 'if it ain't broke, don't fix it'. Urgent decisions to cancel production or withdraw investments are only taken in the wake of mass protests, while mechanisms of real public participation and ecological expertise are not activated either during the planning phase or when problems arise.

A trenchant example is the fire that broke out recently at the Electrozinc factory in Vladikavkaz, which triggered mass public protests, turned the heads of local and federal authorities and drew media attention nationwide. The firm had been subject to criticism from environmentalists for several years, but as long as the floodgates remained intact, the greens' demands fell on deaf ears.

The Electrozinc case calls into question the future of heavy industry in close proximity to densely populated areas. Soviet industrial development and designs for new industrial cities were based on workers living in residential quarters near factories. A host of cities in central Russia and other regions (Moscow, St. Petersburg, Ekaterinburg) have relocated factories beyond city limits or closed them down altogether, but not every region has this option. Furthermore, certain industrial processes simply cannot be rendered 100 per cent eco-friendly and waste-free.

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It's unclear what to do with industrial cities (predominantly in the Urals and Siberia) where factories are situated in the city centre or in close proximity to residential areas. These plants continue to generate air pollution and do irreversible damage to local people's health, but they are major taxpayers in their regions and provide a significant number of jobs, both directly and indirectly. Where is the open debate about these issues? Why are talks not held with all affected parties before everything 'blows up'?

It's crucial to mention the absence of transparency here, as well as the fact that economic entities and local authorities are often unwilling to disclose information about the environment. They are more concerned with reporting success and fulfilling quotas than observing, interpreting and resolving concrete problems. For example, polluters often hope that any violations and illicit waste disposal can be buried by the 'classified' stamp of the local administration. What's more, environmental information can be covered up to an even greater extent owing to the struggle against agents of imperialism.

The good news: Russia's green transition is under way

Despite everything written above, we should acknowledge that the processes for making Russia more eco-friendly are under way. Progress is

slow, tenuous and frequently stems from non-ecological motivations – but it is happening. External markets and the demands of global partners, clients and investors undoubtedly play an important role. The most successful external motivators are not criticism or direct pressure, which often lead to denial, accusations of foreign influence and the perception that 'enemies are all around', but rather new standards, rules or demands concerning certification and data disclosure.

Recently, I helped evaluate entries to the Green Frog Award for reports on sustainable development, run by accountancy and advisory firm Deloitte. Most reports submitted by Russian companies were no different to those of their Western counterparts. Russian businesses also cited the demands of global finance, ratings agencies and other international sustainability standards as motivations to disclose financial reports, consider various interests and influence interested parties. What happens when a Russian company's international partner starts requesting information about the environmental footprint, possibly across the entire supply chain, carbon records and an analysis of its impact on local communities? What begins as a routine formality for a partner report can develop into something bigger and can change the vision, values and everyday practices of the top management and lower employees alike.

Other agents of change include various state bodies that are talking more and more about green issues, gradually reforming legislation and promoting new demands. There are consumers who are seeking more information and making purchasing decisions on this basis. There are grassroots organisations, protesters, lobbies and media campaigns run by local groups who are suffering from the negative effects of industrial pollution or fear new, reportedly harmful production methods.

All these factors are taking effect, albeit extremely slowly. In order to amplify their results, it's key to create a common, inclusive vision for green development in collaboration with all interested parties, to reinforce transparency, to create and test minor programmes (including regional-specific ones) for piloting various regulatory instruments and to show support for green finance.

The prospect of exclusively green development cannot be considered in isolation from the general political and economic context on a national level, which includes questions of transparency, accountability, openness, media and judicial independence, genuine political competition and the development of (or the pressure put on) civil society. For example, even if institutions for green finance emerged, an absence of transparency could well transform these mechanisms into instruments of 'greenwashing'.

All in all, Russia is no different to the large number of countries worldwide that are making an effort, carrying out tests and learning from their mistakes. The path ahead is an arduous but intriguing one.



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