

RUSSIA'S CLIMATE CHANGE STRATEGY AFTER THE INVASION OF UKRAINE

— NO CHANGE IN TARGETS, BUT DECARBONIZATION STALLS —

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SUMMARY

- Russia's relations with the US, Europe, and Japan are deteriorating in the wake of the invasion of Ukraine. Meanwhile, President Vladimir Putin will not change Russia's climate change goals, as he seeks to use the climate change policy as a diplomatic tool to ease sanctions and resume dialogue.
- The invasion of Ukraine triggered sanctions against Russia and the withdrawal of Western companies from the country. As a result, Russia is experiencing difficulties in installing decarbonization-related equipment such as gas turbines and compressors, and obtaining international certification for its emissions trading system.
- The pilot project in Sakhalin Oblast—the epitome of Russia's climate change measures—is aimed at carbon neutrality for the oblast by the end of 2025, and the goal may be achievable. However, important policies planned to respond to the CBAM¹ and global decarbonization such as introducing an emissions trading scheme and expanding hydrogen exports may stall.

1. CHANGES IN THE EXTERNAL ENVIRONMENT SURROUNDING RUSSIA

In 2021, when President Putin announced the goal of achieving carbon neutrality by 2060, Russia clarified its commitment to climate change action (Figure 1). At the governmental level, Russia's climate change measures are focused on (1) *increasing* exports of natural gas and hydrogen to respond to the decarbonization of the EU and the rest of the world, (2) *increasing* GHG absorption by forests to reduce GHG emissions, and (3) *decreasing* GHG emissions at the private sector level to respond to the CBAM and ESG compliance.²

Date	Event
Oct 13, 2021	President Putin announces goal of achieving carbon neutrality by 2060 at Russian Energy Week
Oct 29, 2021	Strategy of socio-economic development with low GHG emissions until 2050 announced → Goal of achieving carbon neutrality by 2060 made clear, for example, by using forests to absorb two-thirds of total GHG emissions
Feb 24, 2022	Invasion of Ukraine by Russia
Aug 5, 2022	Russian Federation issues government decree regarding approval of payment rules for exceeding GHG emission allowances under the experimental implementation framework for GHG emission limits within the Sakhalin Oblast jurisdiction (effective on Mar 1, 2023)
Aug 18, 2022	Russian Federation issues government decree regarding the payment rate for exceeding GHG emission allowances under the experimental implementation framework for GHG emission limits within the Sakhalin Oblast jurisdiction (effective on Mar 1, 2023 and valid until Dec 31, 2028) → 1,000 rubles per ton when exceeded
Sep 1, 2022	Federal law "On conducting an experiment to limit greenhouse gas emissions in certain subjects of the Russian Federation" goes into effect, while experimental project to achieve carbon neutrality in Sakhalin Oblast launches

Source: Compiled by MGSSI from Russian and Sakhalin Oblast government announcements, as well as various media reports

¹ The Carbon Border Adjustment Mechanism, by which the EU will levy charges on imports of steel, cement, and other products from countries with less strict climate change regulations. For more information, see "The EU's Carbon Border Adjustment Mechanism Moving Towards the Final Stage of Legislation Process."

https://www.mitsui.com/mgssi/en/report/detail/_icsFiles/afieldfile/2022/10/11/2208e_darvell_e.pdf

² See "Russia's Climate Change Measures Entering a Transitional Period — Analysis in Terms of Increase and Decrease —"
https://www.mitsui.com/mgssi/en/report/detail/_icsFiles/afieldfile/2021/12/08/2111e_kitade_e.pdf

Of these, (1) is inextricably linked to energy strategy. The need arose after the invasion of Ukraine for Russia to respond to the EU's moves to end reliance on Russia. The EU, a major export market, has decided to embargo Russian fossil fuels. It has also announced a plan³ to reduce EU demand for Russian natural gas to one-third by the end of 2022, thereby phasing out dependency on Russian fossil fuels by 2030. Russia needs to develop new markets in the medium to long term while increasing exports to China and India in the immediate future. Accordingly, the Russian government is working on an export infrastructure construction plan and revising its energy strategy.

On the other hand, sanctions against Russia and the withdrawal of US, European, and Japanese companies from Russia are the biggest obstacles to the implementation of (2) and (3), which are related to Russia's domestic climate change measures. That is highlighted by the fact that Viktoria Abramchenko, Deputy Prime Minister, urged at the St. Petersburg International Economic Forum on June 16, 2022, that decarbonization-related technologies and equipment should not be subject to sanctions.⁴ This report discusses Russia's climate change measures after the invasion of Ukraine, taking as a specific example the pilot project for achieving carbon neutrality that was recently launched in Sakhalin Oblast.

2. CHANGES IN CLIMATE CHANGE GOALS

2-1. Continued commitment to climate change goals

Immediately after the invasion of Ukraine, there were calls within Russia to withdraw from the Paris Agreement. Sergey Mironov, leader of A Just Russia, stated in April 2022 that the introduction of sanctions by the West had rendered the Paris Agreement meaningless.⁵ A Just Russia, known as the "opposition party in power," is the leading opposition party with seats in the lower house of parliament but never opposes the Putin administration. Such demand for withdrawal represents politicians' move to distance themselves from international cooperation in the field of climate change amid the escalating conflict with the US and Europe, but it also seems to reflect the business community finding it difficult to respond to the decarbonization of the economy due to sanctions against Russia.

However, the Russian government has maintained a policy of not withdrawing from the Paris Agreement. According to remarks made by Ilya Torosov, First Deputy Minister of Economic Development, on June 22, 2022, Russia will maintain its climate change strategy, the goals set therein, and the tasks articulated by the President, because it is an environmental issue, a social demand, and an important aspect of their domestic socio-economic policy.⁶ On October 27, 2022, President Putin also stated that the transition to carbon neutrality is consistent with Russia's national interests,⁷ reiterating his policy of not changing the goal of achieving carbon neutrality by 2060.

2-2. Climate change measures as a diplomatic tool

There are two main reasons why Russia has not changed its climate change policy goals. The first reason is to

³ REPowerEU

https://ec.europa.eu/commission/presscorner/detail/en/IP_22_3131

⁴ Deputy Prime Minister Viktoria Abramchenko is in charge of climate change measures within the Russian government and has stated that access to equipment and environmental and other technologies related to industrial modernization aimed at reducing GHG emissions should be shared and not be subject to any sanctions or restrictions.

<https://www.vedomosti.ru/ecology/climate/news/2022/06/16/926965-abramchenko-ekologicheskie-tehnologii-ne-dolznyi-popadat-pod-politicheskie-ogranicheniya>

⁵ <https://nia.eco/2022/04/22/35146/>

In addition, Georgy Arapov, deputy chairman of the State Duma Committee on Ecology, Natural Resources and Environmental Protection, also called for withdrawal from the Paris Agreement, saying that he did not see the point of participating in the Paris Agreement under the conditions of sanctions against Russia.

<https://iz.ru/1335953/valerii-voronov/eko-delo-v-gd-predlozhili-otkazatsia-ot-parizhskogo-soglasheniia>

⁶ <https://tass.ru/interviews/14976985>

⁷ <http://kremlin.ru/events/president/news/69695>

demand the lifting or easing of sanctions against Russia on the grounds of climate change measures. First Deputy Minister of Economic Development Ilya Torosov said that Russia would seek access to decarbonized technologies and the lifting of sanctions⁸, and gave the lifting of sanctions on decarbonization-related technologies and equipment as a goal of the Russian delegation to COP 27. Russia has previously obtained exemptions from US and EU sanctions related to trade in Russian grain and fertilizers to resolve the global food crisis. Russia is now believed to be similarly trying to have sanctions that prohibit exports of advanced technology and equipment to Russia lifted on the grounds of climate change measures. The fact that much decarbonization-related technology and equipment can be diverted to the oil and gas sector, which forms the backbone of the Russian economy, is thought to be another factor behind Russia's seeking the lifting of sanctions. The second reason is that climate change action is positioned as the last "open window" for dialogue.⁹ President Putin has stated that the issue of climate change is no longer top of the agenda due to the events taking place today (the invasion of Ukraine),¹⁰ acknowledging that climate change measures have decreased in priority as an environmental issue after the invasion. Still, he is not completely rejecting dialogue with the US, Europe, and Japan, where opposition is intensifying; he is rather using climate change measures as an opportunity to resume dialogue.¹¹

3. SAKHALIN OBLAST PILOT PROJECT

3-1. Overview and significance of Sakhalin Oblast pilot project

The pilot project, which started on September 1, 2022, in Sakhalin Oblast, aims to achieve carbon neutrality for the oblast by 2025. This is based on a policy of *increasing* forest GHG absorption through forest management and wildfire prevention while *decreasing* GHG emissions through the conversion of coal heating facilities to gas and the expansion of renewable energy generation (Figure 2).

⁸ First Deputy Minister of Economic Development Ilya Torosov said, "COP27 in Sharm el-Sheikh is just a month away, and we are preparing for it. I would like to refrain from making predictions, but we will call for technological neutrality, access to decarbonization technologies, and the lifting of sanctions in each country. We don't know if we will succeed this year or next year, but we will advocate our position and work on it."

<https://climate-change.moscow/news/minekonomrazvitiya-rf-budet-prodvigat-vyvod-nizkouglerodnyh-tehnologiy-iz-pod-sankciy>

⁹ Dr. Schwarz of the Russian Academy of Sciences Institute of Geography explains that the government's statements on the climate change issue have so far been correct, relatively polite, and politically correct, even to unfriendly countries, because the climate change issue is the last "open window" for dialogue with the developed world.

<https://www.klimareporter.de/images/dokumente/2022/08/das-klima-verlaesst-russland-RU.pdf>

¹⁰ President Putin further states that pragmatism will eventually prevail and that dialogue between Russia and the West will greatly contribute to the establishment of a multipolar international order. Putin aims to realize a multipolar world in which order is created through Russia, the US, and China mutually competing with each other but also recognizing each other's spheres of influence through dialogue.

<http://kremlin.ru/events/president/news/69695>

¹¹ Bobo Lo states as follows: "Russian climate policy is based on a number of first principles. The most important is that it is subordinate to Moscow's larger strategic objectives at home and abroad. The Putin regime engages with the issue of climate change not out of an altruistic desire to "save the planet" or because it believes it poses an existential threat to Russia. The level of official attention is contingent on the extent to which climate policy is judged to serve other, higher priority goals. These include geo-political and geoeconomic power projection; ensuring economic growth; protecting the market position of energy giants such as Gazprom, Rosneft and Novatek; promoting Russia as a good international citizen; and managing popular anxieties about the degradation of Russia's natural environment."

https://www.ifri.org/sites/default/files/atoms/files/bobolo_russia_climate_change_2021.pdf

Figure 2: GHG reduction targets as indicated in the pilot project to achieve carbon neutrality in Sakhalin Oblast

Name of event (indicator)	Target (in 1,000 tons of CO ₂ equivalent)		
	2023	2025	2028
Gasification of housing and utilities (boiler stations switched over to natural gas)	-240	-660	-680
New power generation: Renewable energy-based power generation and hydrogen project	-16	-216	-216
Energy saving and energy efficiency improvement	-50	-159	-159
Reduction of GHG emissions from transport (Conversion of motor vehicles to natural gas, vehicles on electric traction)	-32	-75	-75
Reduction of GHG emissions from waste management	-10	-30	-40
Increased absorption of GHG through sustainable forest management	-150	-600	-1240
Inventory of GHG emissions in the region	0	200	500
GHG emissions quota	0	-550	-550
Total	-498	-2090	-2460

Source: Compiled by MGSSI based on Sakhalin Region Climate Action Program for the period up to 2025

The project also provides for the introduction of emissions trading to comply with the CBAM to be introduced by the EU through expanding the emissions trading in Sakhalin Oblast to other Russian oblasts on an experimental basis and eventually extending it to all of Russia. It is also planned to start hydrogen production at 30,000 tons and *increase* it to 100,000 tons by 2030 for export to Asia-Pacific countries. The project, with its *increase* and *decrease* policies, is the epitome of Russia's climate change measures. Prime Minister Mikhail Mishustin enthuses, noting that the results of Sakhalin will determine whether carbon neutrality can be achieved at the national level.¹²

3-2. Impact of sanctions and company withdrawals

In March 2022, the Russian Union of Industrialists and Entrepreneurs submitted a letter to the government requesting that the project's start date be postponed to September 1, 2023. The reason cited was that implementing climate change measures while sanctions against Russia are in effect would increase costs for companies and could create additional uncertainty for business activities.¹³ Nevertheless, the Sakhalin Oblast government decided that sanctions were insufficient reasons to turn back,¹⁴ and the project was started as planned, but with many problems, as follows.

Gas turbines and compressors needed for gasification in coal heating facilities and decarbonization in the gas and oil sector¹⁵ cannot currently be imported due to sanctions against Russia, and maintenance services are also unavailable.¹⁶ There is also concern over the expansion of renewable energy, as Russia relies on Dutch technology for wind power generation.¹⁷ The withdrawal from Russia of Shell (UK) and ExxonMobil (US), which were expected to purchase a large number of carbon credits, may reduce the scale of emissions trading in the oblast. With all dialogue between Russia and the EU suspended after the invasion of Ukraine, the possibility of the EU certifying emissions trading in the oblast has diminished. After Air Liquide (France), which is partnered with Rosatom, announced its withdrawal, Rosatom instead signed an MOU with China Energy Engineering

¹² <https://regnum.ru/news/economy/3445219.html>

¹³ <https://rspp.ru/events/news/rspp-prosit-otlozhit-provedenie-eksperimenta-po-ogranicheniyu-vybrosov-parnikovykh-gazov-v-sakhali-ns-623d91d9d3fdf/>

¹⁴ Milena Milich, Minister of Ecology and Sustainable Development of the Sakhalin Region, has made it clear that the oblast is committed to conducting the pilot project, by stating "Retreat is not an option. Environmental and climate change issues do not disappear under sanctions. They are global issues, both in times of peace and in times of emergency." <https://www.klimareporter.de/images/dokumente/2022/07/das-russische-klimaexperiment-auf-sachalin-RU.pdf>

¹⁵ Sakhalin Oblast GHG emissions are primarily from coal, oil, and gas production. The fuel and energy industry accounts for just over 94%. <https://www.erina.or.jp/columns-today/143730/>

¹⁶ According to a Russian climate change expert interviewed by the author in November 2022, a lot of technology and equipment is missing, from pumps and pipeline components to electronic control systems used to decarbonize the oil and gas sector.

¹⁷ <https://www.klimareporter.de/images/dokumente/2022/07/das-russische-klimaexperiment-auf-sachalin-RU.pdf>

Corporation. However, the company has no experience in hydrogen production, and its hydrogen production plans in the oblast are unclear. While the US, Europe, and Japan have stated that Russia is not a reliable energy supplier,¹⁸ the entry of China Energy Engineering Corporation could lead to hydrogen exports being primarily to China.

Sakhalin Oblast's 2021 GHG emissions are estimated to be 12.3 million tons CO₂ equivalent, and absorption to be 11.1 million tons, which means that a reduction of approximately 10% in GHG emissions is required to achieve carbon neutrality. Carbon neutrality may be achievable if the impact of reduced GHG emissions due to Russia's economic recession after the invasion of Ukraine and other factors are taken into account. However, the feasibility of the project's core components, namely the introduction of emissions trading and hydrogen production and export, is uncertain. Russia needs them to respond to the CBAM and global decarbonization, but the project may become watered down depending on the results.

3-3. Conclusion

As stated above, Russia is not likely to backtrack on its climate change goals, drop its goal of carbon neutrality by 2060, or withdraw from the Paris Agreement. However, since it cannot import decarbonization-related technologies and equipment from the US, Europe, and Japan due to sanctions, decarbonization climate change measures that *decrease* GHG emissions will likely stall. On the other hand, it is expected that Russia will increasingly emphasize its policy to *increase* GHG absorption by forests, such as through forest management and wildfire control, which it can undertake on its own. The Sakhalin Oblast pilot project will also reflect the current situation in Russia, where access to such decarbonization-related technologies is blocked and international dialogue is difficult. Nevertheless, in accordance with the policy of the federal and Sakhalin Oblast governments to maintain their targets, the project will continue to move forward quietly, including the development of related legislation, such as setting emission allowances for companies in the oblast.

At COP 27, Russia argued that climate change is a common global issue and that, therefore, the fight against climate change must also be a collective one,¹⁹ and called for the lifting of sanctions on climate change-related technologies and equipment. This, however, did not prompt the US, Europe, and Japan to ease their sanctions. As illustrated by the protests against the invasion at the event hosted by the Russian government at COP 27, the ripple effects of Russia's invasion of Ukraine have been significant. Even if the common goal of each country is to combat climate change, it will be difficult to lift sanctions against Russia while it continues its aggression, and there is currently no momentum toward the resumption of cooperation and dialogue with Russia. That said, looking ahead a few decades to around 2050 to 2060, by when each country has stated it will be carbon neutral, it does not seem realistic to exclude Russia, the world's fourth-largest GHG emitter, from climate change action. As the effects of climate change become more severe, it is possible that governmental and private dialogue over climate change measures between Russia and the US, EU, and Japan will resume and that the export of decarbonization-related technologies and the production and supply of hydrogen will take place.

¹⁸ G7 Foreign Ministers' Statement on Energy Security

https://www.mofa.go.jp/mofaj/press/release/press6_001193.html

¹⁹ In a press release issued at COP 27 on November 8, 2022, First Deputy Minister of Economic Development Ilya Torosov stated "It is obvious that climate change is a global issue, and accordingly, the fight against them must be done jointly. However, a number of low-carbon technologies are now under sanctions. This does not meet the universal goals of preventing the negative human impact on climate and ecology."

<https://tass.ru/obschestvo/16273383>