

Russia at COP 26: Mission Accomplished (more or less)

Large delegation. Contrary to many reports of a 'no show', Russia fielded the fifth-largest delegation to the COP 26 climate summit, comprising 312 delegates, more than China (60), the US (166), and the host country, the UK (231).

Putin's absence was criticized. The Russians took heavy flak in the early days of the COP over the failure of President Putin to appear in person. Misleadingly, this was portrayed by much of the media as a complete absence of Russian participation.

Low-key approach. Russia went the extra step of having a pavilion – but the overall approach of the delegation was low-key and workmanlike.

Modest ambition shaped expectations. Russia had previously announced a pragmatic and achievable set of objectives for the COP:

- Pushing a broadening of the definition of renewables, low-carbon, and sustainable fuels, with the aim of including nuclear and hydropower
- Gaining greater acceptance for the role of forests in CO2 absorption
- Playing a full role in the development of a new version of an international carbon trading system, under Article 6 of the Paris Agreement.

Was the whole conference a success? Depends on who you talk to. Certainly, there were criticisms at the final plenary session, especially from low-lying island states, over the watering down of the final text. And many environmental lobbies were unhappy that the summit's recommendations had not gone far enough. Also, there were complaints from developing countries that financial support for climate change measures was appearing too slowly. But the overall feeling seems to be that some progress was made, although many issues were kicked down the road.

And for Russia? A fair cop? On the whole, the Russian government can be satisfied. Major controversies were avoided and COP26 can be seen as a fruitful learning exercise, with progress made on the government's objectives. The Russians are steadily creeping onto the world arena on the subject of climate change.

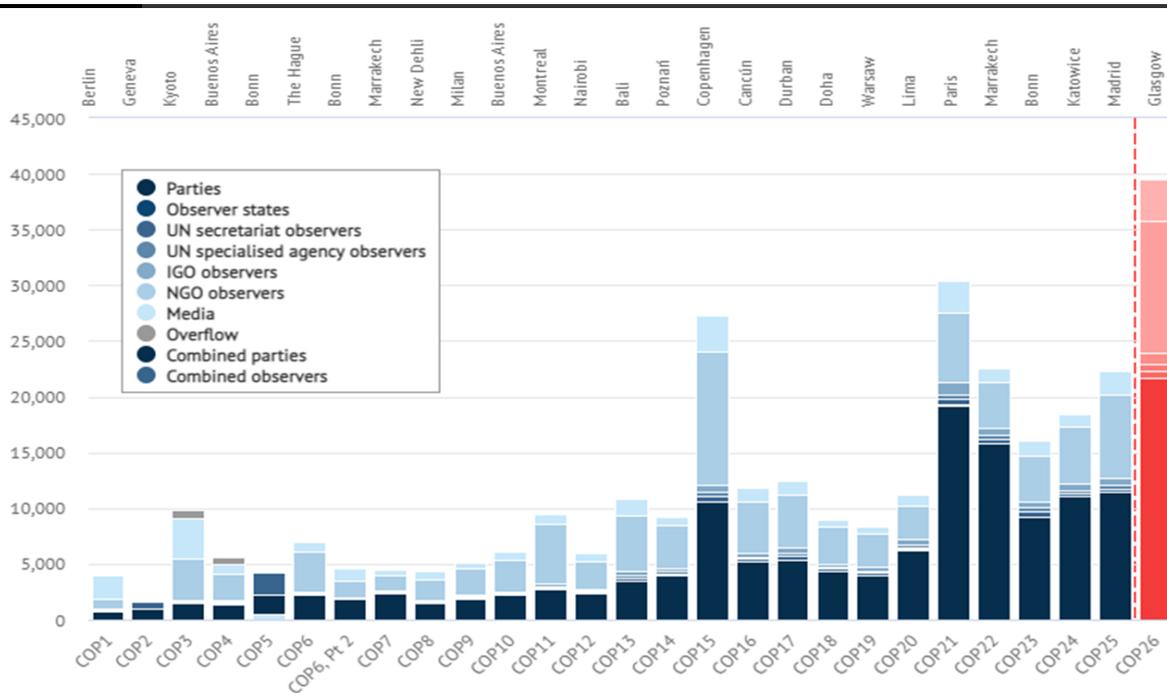
Sting in the tail. The last-minute adjustment to the language, prompted by India and backed by China, replaced the phrase 'phasing out' of coal usage with the phrase 'phasing down', in the final draft of the COP 26 agreement. This was a blow to environmentalists but the fact that carbon fuel was mentioned at all was a breakthrough.

Summary

What is the COP? The Conference of the Parties (COP) is the ‘Supreme Decision-making body of an international convention’. In the case of UN climate change policies, the term COP refers to the decision-making body of the United Nations Framework Convention on Climate Change (UNFCCC), which was established at the Rio Conference in 1992. Since then, 25 COPs on climate change have been held annually. The most notable COPs were Kyoto in 1997, leading to the Kyoto Protocol and Paris in 2015, which produced the Paris Agreement. COP 26 was to be held in Glasgow in 2020 but the pandemic forced its postponement. It finally took place during the first two weeks of November 2021, under the presidency of the UK.

Growth of the COP. The chart below shows the growth of the annual COP meetings, in terms of the numbers of delegates. Just under 40,000 delegates and others (e.g., lobby groups, journalists) are believed to have been at COP26, making the event the biggest COP ever, despite the difficulties caused by the Covid pandemic. The main aim of COP 26 was to review the emission reduction targets which had been agreed under the Paris Agreement and to try to enforce even stricter targets to persuade all participants to take action that would limit global warming to less than 1.5° below pre-industrial levels. However, it became clear in the run-up to the Glasgow COP that these ambitious targets would not be met.

Number of Attendees at COPs



Source: UNFCCC

Fifth largest delegation. As a sign of the increased attention being paid to climate change, Russia sent the fifth-biggest delegation to COP26. This fact went largely unreported by the Western media, which focused on the ‘no-show’ of President Putin.

The Ten Largest Delegations at COP26

Country	Conference attendees	Per 100,000 population
Brazil	479	0.2 delegates
Turkey	376	0.4 delegates
Democratic Republic of the Congo	373	0.4 delegates
Ghana	337	1.1 delegates
Russia	312	0.2 delegates
Kenya	310	0.6 delegates
Bangladesh	296	0.2 delegates
Canada	276	0.7 delegates
Sudan	236	0.5 delegates
UK	231	0.3 delegates

Source: UNFCCC

Putin heavily criticized. In the early days of COP26, the absence of the Heads of State of Russia, China and Brazil drew heavy criticism from several prominent participants. In the case of Russia, Putin’s non-attendance was transmogrified in many media reports into a failure to show by the Russians, whereas, as noted above, they actually registered 312 delegates. This fact did not prevent even the President of the USA from saying ‘I indicated that China and Russia not showing up was a problem’. And many media commentators followed the line of BBC presenter, who said ‘We’ve heard from [correspondents in] both countries, Russia and China, which are absent’.

But Russian media hits back. The Russian media were particularly stung by Biden’s criticisms of Putin’s no-show. One theme given prominence in Russian media is the short memory of the US Administration, with commentators pointing to the fact that President Trump pulled the US out of the Paris Agreement altogether and that a new, post-Biden Republican administration (especially if led by Trump) could easily take the same decision, thus weakening the value of anything said by the US. Interfax also reported the acid remark of Zhang Jun, China’s Permanent Representative to the UN that ‘... unlike the United States, China has never withdrawn from the Paris Agreement’.

The composition of Russia’s delegation reflected priorities. The Russian delegation was led by a Deputy Prime Minister, Alexey Overchuk. The largest number of delegates in the Russian team was registered by Sberbank, which reflects the importance of being attached to green finance and speaks directly to the objective of broadening the base of fuel sources defined as being ‘sustainable’ or ‘low carbon’. Broadening the definition would enable large finance providers, such as Sberbank, to be active in a wider range of projects, without compromising climate targets. The large team from Rosatom reflects the company’s positioning of itself as a low carbon champion in Russia, both by its remit of being the nuclear energy monopoly and its recent expansion into renewable energies such as wind. Forestry interests were there in force, as were EN+, the majority owner of Rusal, the 4th largest aluminum producer in the world. Veneshconombank (VEB) was also strongly represented, reflecting its role as a key coordinator of ESG policies in Russia).

Composition of Russian Delegation

<u>Organization</u>	<u>Number of Delegates</u>
Sberbank	21
Rosatom	20
Russian Embassy in UK	19
Presidential Administration	18
Vneshecombank	14
Ministry of Energy	13
Forestry Representatives	12
EN+	11
Ministry of Economic Development	9
City of Moscow	7
Gazprom	6
Severstal	5
InterRAO	4
SIBUR	4

Russia’s objectives at COP26. In the run-up to COP 26, Maxim Reshetnikov, Minister of Economic Development and Deputy Leader of the Russian Delegation, announced three main objectives for the delegation:

- To broaden the definition of renewable (or low carbon) energy
- To obtain greater acceptance and agreed on standards for the CO2 absorption capacity of forests
- To become fully involved in the development of an international carbon trading system (Article 6 of the Paris Agreement)

And perhaps another aim? The events of 2014 and the subsequent imposition of sanctions have isolated Russia even more than was previously the case. International dialogue has been significantly reduced. But the Kremlin sees climate change as an issue on which countries should be in broad agreement, sharing common goals, and views cooperation in the sphere as being (relatively) uncontroversial. Given that Russia is now playing catch-up on climate change – after years of skepticism and neglect – COP26 presented an outstanding opportunity to climb the learning curve and develop new and expert international contacts, at a personal level.

And a long-lasting gripe. Although it seems a long time ago now, Russian government climate representatives still point to the dramatic slump in Russian industrial output at the start of the nineties, after the fall of the Soviet Union, saying that the massive and consequent reduction in industrial emissions already means that the country has done more than its fair share in emission control. In policy circles, it still rankles that this emission reduction (although not planned as such) is not given sufficient weight in international climate discussions.

Low-carbon development strategy. Just before the start of COP26, the Russian government approved the Low-Carbon Development Strategy, designed to shape policy over the next thirty years. The main target of the strategy is to reach carbon neutrality by 2060, with sustainable economic growth. Under the strategy, the targeted scenario assumes that the Russian government will set higher ecological standards for the industry and will provide financial and other incentives to cut emissions and increase carbon capture, including the creation of a carbon quota system and certificates of origin for power generated from low carbon resources. An intensive scenario is also outlined, which anticipates the greater use of renewables and hydrogen and the faster growth of electric vehicles. Also, under this intensive scenario, the anticipation is that the country's CO2 absorption capacity will be ratcheted sharply upwards.

Pragmatic, and attainable. Russia's objectives at COP reflect the country's emerging climate change policy, which stresses adaptation to changing conditions, rather than wholesale change or the widespread development of renewables, such as wind and solar. The policy stresses Russian's strength as a hydrocarbon powerhouse and promotes programs that can exploit these strengths, for example, the production of low carbon hydrogen from natural gas (methane) resources and the use of existing storage capacity for carbon capture and storage projects. Ministers have also repeatedly stressed that economic growth for Russia is the overriding priority and adaptation to climate change should take place within that framework.

Emissions – State of play. Russia is currently in fourth place on the CO2 emissions table, with China being by far the largest emitter and the top four countries collectively accounting for over 50% of CO2 emissions. Russia’s share is around 4-5% of total annual CO2 emissions. The figures in the chart exclude absorption and a fascinating debate is evolving on the absorption capacity of Russia’s forests (see next section), which may ultimately be recognized as a key feature on the path to net-zero.

Top Global Carbon Dioxide Emmissions, mln metric tons, 2020

Carbon Dioxide (million metric tonnes, 2020)

■ US ■ Asia ■ Middle East ■ Africa ■ LatAm ■ Europe

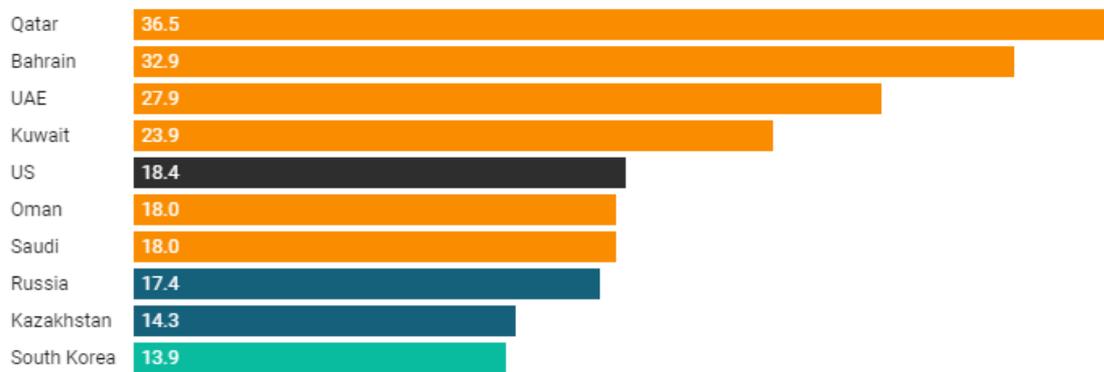


Source: BP and Tellimer research

Per capita – different story. When listed on a per capita basis, China falls to 16th position, while India is even lower.

CO2 Annual Co2 Emissions, Metric Tons per Head

■ US ■ Asia ■ Middle East ■ Africa ■ LatAm ■ Europe



Source: BP and Tellimer Research.

China is in 16th position with 8.7 tons per head while India is in 41st slot at 2.4 tons.

Russia's Objectives at COP 26

Objective 1: Definitions. Russia's first objective was to broaden the accepted definitions of all sources of low-carbon electricity generation, including nuclear power, which Russia considers to be low-carbon. This is another long struggle from the Russians' point of view. As recently as last December, at a major conference organized by Skolkovo Energy Centre, senior EU representatives were denouncing Russia for having less than 1% renewables in their power generation mix (compared with 9-10% in the EU), to which the Russians responded that the actual figure was around 40% since both nuclear and hydro should be counted as renewable. Moreover, a further 40% of the generation mix is gas, which, if not exactly carbon-free is regarded by the Russians as a low carbon fuel.

Some movement here. But the gulf between the two standpoints, as recently as a year ago, was huge. Since that time, there has been a weakening of the rhetoric on the EU side, so perhaps the Russian message is getting across. But it is an excellent example of the power of language and the need for definitional rigor if debates are to proceed from an agreed starting point. And just recently, there have been reports that the Technical Working Group supporting the development of the EU 'Taxonomy' has advised that nuclear energy and certain types of hydropower should be treated as low-carbon sources of electricity. This recommendation is under review but represents – if not necessarily designed as such – a step towards the Russian position.

What is the EU Taxonomy? Simply put, the EU Taxonomy is an attempt to define precisely what constitutes low carbon or sustainable sources of energy. This work is important to enabling all parties (and that is all parties engaged in the climate debate, not just the COP) to have an agreed basis for discussion. Increasingly, finance providers are looking to 'green' their portfolios and there is an increasing risk that companies and projects judged to be 'high carbon' will not be able to attract finance. There is a thought here that financial markets may be more effective at bringing about emissions reductions than governments and regulators. Already, it is very difficult for new coal projects to find financial backers and it is likely that this pressure will intensify.

Russia presses on the point. And the definitional point about what exactly constitutes renewable power is an argument that the Russians will not drop. A recent statement by the Minister of Energy was that the generation mix in Russia is 20% nuclear, 20% hydroelectric, 45% gas, and 15% oil and coal. There is a rounding figure in there and that represents renewables (wind and solar) at about 1%. Government ministers and spokespeople have referred to this generation mix several times recently, arguing that Russia is already a low-carbon economy and should be regarded as such.

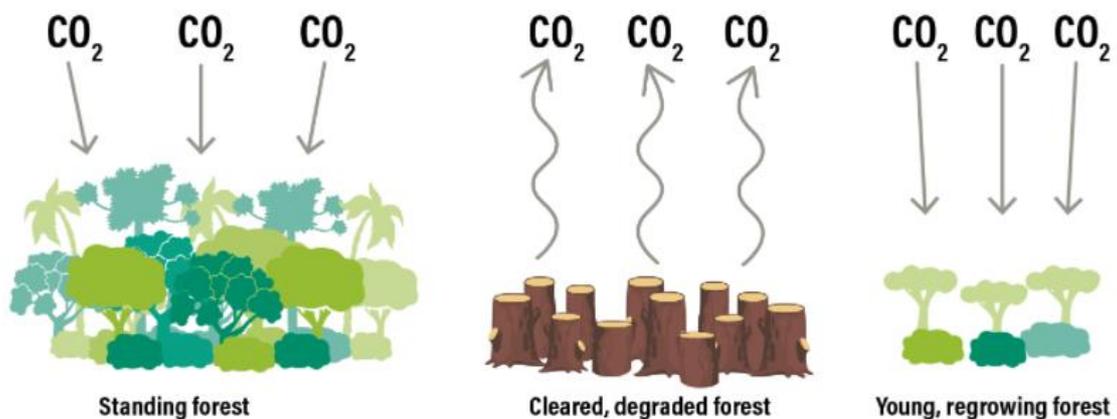
Russia now has its own Taxonomy. In September 2021, the Russian government approved a Taxonomy of Sustainable Projects, consisting of two sections: the Taxonomy of Green Projects, which includes a list of projects recognized as green in accordance with global practice, and the Taxonomy of Adaptation Projects, which includes a list of projects aimed at adapting the economy to climate change that are not explicitly green according to global practice. Importantly, the Taxonomy includes hydropower and nuclear generation.

Objective 2: The role of forestry In the early days of COP26, Boris Johnston trumpeted the signing of a deal on deforestation, which was not formally part of the Paris process or any official agreement likely to come out of Glasgow but which, nevertheless, represented a degree of progress, in that both Russia and Brazil signed up to be part of the deal. A total of US\$19 billion from public and private sources has been pledged to bring deforestation to a halt. As a holder of 20% of the world’s forests – by far the largest reserve in the world, followed by Brazil (12%) and Canada (9%) - Russia should be at the forefront of the forest debate.

Raising the stakes. Russia’s cooperation here bumps the forestry issue up the agenda, paving the way for a greater acceptance of the role played by forestry in carbon absorption. It has been a long-standing gripe of the Russians that they were not receiving full recognition for the huge absorption factor represented by the forests and by moving to center stage on this issue as they did at COP, they are likely to find more openness for later acceptance of Russia’s revised figures.

Worldwide carbon absorption. According to Global Forests Watch, forests provide a “carbon sink” that absorbs a net 7.6 billion metric tons of CO₂ per year, 1.5 times more carbon than the United States emits annually. However, in some areas – notably the Amazon – there is a delicate balance between acting as a carbon sink or a carbon emitter since excessive and unchecked deforestation and widespread forest fires can impact the carbon balance.

Forests Act As Both a Source and Sink For Carbon

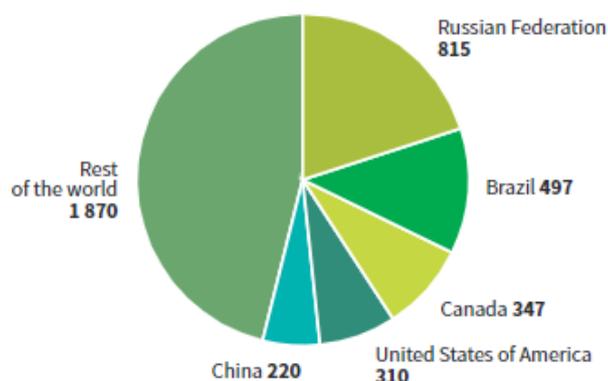


Source: Global Forests Watch, WRI

Simple arithmetic. If Russia has 20% of the world’s forests and total world absorption CO₂ capacity is 7.6 billion tons, then a simplistic view suggests that Russia's CO₂ absorption is around 1.532 billion tons, i.e. already more than the emissions total of 1.44 bn tons noted in the chart above. That is overly simplistic, as it takes no account of the qualitative differences between plant types but it does serve as a rough starting point, especially when compared with the fact that Russia routinely reports roughly 1/3 of that amount.

Woodland concentration. Just five countries, Russia, Brazil, Canada, the US, and China, account for 54% of the world’s forested areas.

Top Five Countries For Forest Area, 2020, mln ha



Source: Global Forests Watch, WRI

Agreement at (but not part of) COP. Over 140 countries, representing 85% of the world’s forests, signed the forestry side-agreement at COP, committing to halt and reverse forest loss and land degradation by 2030, in an initiative spearheaded by the UK. The agreement met with some skepticism, as previous agreements on forestry achieved little or nothing. For example, the New York Declaration on Forests in 2014, also contained a commitment to end deforestation by 2030 but a progress report in October found signatories had not embedded the goals into their domestic policies. However, the difference this time is that some big countries, who have previously eschewed such agreements actually signed up, including Brazil, Russia, Canada, Colombia, the US, China, and Indonesia.

Money where the mouth is? The international pledge will be backed by US\$19.2 billion in funding. However, only US\$7.2 billion of that will be new money, coming from companies and philanthropies, and will go to encouraging deforestation-free soy and cattle production in South America, and to scale investments in tree planting and other nature-based solutions. In addition to the private funding, 12 countries including the U.K. will allocate US\$12 billion (GBP8.75 billion) of public funds from 2021 through 2025 to tackle wildfires, restore land and help indigenous communities.

Putin’s video messages. President Putin sent a video message to the participants of the session on Forestry and Land Use Management held within the framework of COP, thereby underlining the importance he attaches to the forestry issue. He said that Russia supported the draft joint declaration on forests and land use, which was prepared in advance of the meeting. Putin said that the implementation ‘... will undoubtedly serve the achievement of the goals of the Paris Agreement to reduce the content of carbon dioxide in the atmosphere’.

Russian carbon neutrality needs forests. To achieve carbon neutrality by 2060 (a goal that was announced in October 2021), Russia needs to rely on the unique resource of its forest ecosystems, their significant potential for the absorption of carbon dioxide, and the production of oxygen. Putin said that Russia is taking the most serious and vigorous measures to preserve forests, improve forest management, fight illegal logging and forest fires, increase reforestation areas, and consistently increases funding for these purposes.

Linkage to carbon credit trading. Although Russia signed the forestry agreement on the document's own merits, the participation (and change of heart – they did not sign previous versions) is probably linked to the role forest might play in generating carbon credits. The thought is still a long way from maturity, but the direction seems clear, with the logic being that, if certified to international standards, the offset potential of Russia's forests could come into play, with credits issued and traded on exchanges, available for purchase by parties that risk going over target in their emissions.

The role of forestry absorption in Russia may be much bigger than previously thought. The task of measuring or estimating the CO₂ absorption capacity of Russia's forests languished for several decades, with obscure methodology, obsolete equipment, and lack of government attention contributing to some dubious results. Even with the increased attention given to CO₂ emissions in recent years, work on absorption in Russia was neglected – however, the measurement system has now been given a jolt, as the government has realized that it has a potentially powerful offset system within its borders and is urgently investing in modern measurement techniques. The early results are promising, with absorption potential being progressively revised upwards.

Why is the absorption impact probably an underestimate? A recent (November 2021) report from Boston Consulting Group gave four reasons for traditional under-reporting:

- The use of predominantly field accounting methods in Russia,
- The lack of satellite data and other methods for remote sensing of the earth
- The tendency towards bias in estimating the age of forests and hence their capacity to absorb greenhouse gases
- Insufficient funding means that the update on a national scale is five to seven times slower than the growth of the forest.

Anomalies were voiced but an audience was not found. Researchers into Russian forest absorption often noticed anomalies in international data, with less-forested countries (an estimated 67% of Russian territory is under forest) showing much better results than Russia. For example, the US, with about 40% of Russia's forested area regularly reported four times as much carbon capture by trees. However, for a variety of reasons – not least the neglect of climate issues in Russia – these voices never found an audience. Things are now changing, as the new priorities being given to climate change measures come into force.

Objective 3. Carbon trading. The idea of an international system for carbon trading, as outlined in Article 6 of the Paris Agreement, has been a hotly debated issue within the UNFCCC, with successive COPs being unable to resolve certain key issues.

The argument ran through COP 21 (which culminated in the Paris Agreement) and subsequent COPs but was unresolved, so it needed to be tabled at COP26. Although progress was made – and despite last-minute all-nighters – the issue still has problematic points, which continue to be debated.

What's the problem with Article 6? The arguments around Article 6 become very technical very quickly and cover such matters as double-counting – when both a company/project and a country claim the same carbon credits – and the legacy of the Kyoto Protocol, under which an earlier carbon trading scheme had been set up. The scheme eventually proved to be unmanageable and fell into disuse, but not before some countries – notably Brazil – had accumulated a substantial number of credits, with which they were stuck when the music stopped. Naturally, holders of previous credits are pressing for some sort of recognition that they hold items of value, whereas the general consensus at COP is to start with a clean slate.

Tightening regulation in the EU. From 2023, EU importers of industrial products such as steel, aluminum, and cement must start assessing and reporting their imports' overseas carbon footprint: put simply, how much carbon was emitted to make the product? The next step in 2026 would be to tax the assessed emitted carbon under the market price in Europe that domestic producers must pay. The idea is to prevent leakage, whereby strict standards in one jurisdiction cause production to shift to places with laxer rules.

The CBAM. Already, around one-quarter of Europe's emissions are thought to be embedded in the goods it imports. And European companies that are paying higher prices for carbon permits – hitting US\$70 per ton in October – do not want to be at a competitive disadvantage to imports. The EU's proposed answer is a carbon border adjustment mechanism (CBAM), effectively an import levy on carbon-intensive products. The proposal, released in July, forms part of a strategy to cut EU-wide emissions 55% by 2030. The goal is to incentivize companies to invest more in green technologies, both in Europe and overseas, by driving up the cost of polluting.

The EU Emissions Trading System (ETS). The ETS was set up by the European Union in 2005 and has grown to become the largest and most sophisticated emission trading system in the world. It operates on a cap and trade system, under which the total amount is set of certain greenhouse gases that can be emitted by the installations covered by the system. The cap is reduced over time so that total emissions fall. Within the cap, installations can [buy](#) or [receive](#) emissions allowances, which they can trade with one another as needed. The limit on the total number of allowances available ensures that they have a value. After each year, an installation must surrender enough allowances to cover fully its emissions, otherwise, heavy fines are imposed. If an installation reduces its emissions, it can keep the spare allowances to cover its future needs or else sell them to another installation that is short of allowances.

An ETS for Russia? Russian officials are accelerating their work on an Emission Trading System for of their own, with a trial due to be launched in Sakhalin in 2022. This work has been given a new urgency by the appearance of the CBAM, the logic being that Russia should tax its own delinquent emitters, rather than see a foreign entity (the EU) take money from Russian companies. But for this to become realistic, any Russian ETS must be certified to be operating to the same standard as the EU ETS, a delicate process that could take a long time to achieve.

COP 26 – Outcomes

Broad welcome for achievements. As flagged up in our bullet points, whether or not COP26 was a success depends on who you talk to. Environmental groups were universally disappointed that the adopted measures and recommendations did not go far enough. And lack of progress the so-called ‘climate justice’ issue – giving more financial support to developing countries, on the basis that they did not provoke anthropogenic emissions but suffer the consequences – was deeply disappointing to many parties. However, the general consensus was that this juggernaut of a conference, designed to check progress since the Paris Agreement, was worthwhile and maintained momentum in the race towards net zero.

‘1.5° on life support’. This phrase became increasingly used as COP progressed, indicating concern that the various commitments and reports of progress fell seriously short of the target to constrain global temperature targets to a 1.5° rise above pre-industrial levels (today’s estimate is that the world is already at 1.1 above that baseline) and the dismal estimate that 2021 is likely to see the second-highest emissions on record (due to the ‘post-Covid’ lockdown bounce) has heightened the sense for some that COP 26 somehow failed.

But not all gloom and doom. Against that, there was a useful series of side agreements, most notable being in the agreement on methane reduction (which Russia did not join) and the forestry declaration. Moreover, as more and more data become available for analysis, many climate scientists are increasingly optimistic that the rise can be contained within a 1.6° – 2° band, if significant progress is made on emission reductions and although this will not prevent increasing anomalies in weather patterns, it just might be enough to spare the Earth a massive meltdown.

India had a sting in the tail. In a dramatic turn, at the last minute at COP 26 India, backed by China, and concerning the use of coal in power generation, objected to the phrase ‘phasing out’ in the draft final agreement, causing officials to scurry around to find an acceptable alternative. The debate threatened to undermine progress already achieved. The phrase that was eventually found was ‘phasing down’, which both India and China found acceptable.

What's the difference between phased out and phased down? Nobody really knows. However, the latter phrase is clearly softer than the former and should work to Russia’s benefit, in view of the large investment being made in coal export infrastructure. Perhaps the closest explanation of the difference between the two phrases came from Alok Sharma, the COP26 President: ‘You phase down on the path to phasing out.’

But coal is firmly in the crosshairs. The last-minute change of language was embarrassing and a blow to the environmental lobby. On the other hand, many parties were quick to point out that this was the first time that coal – or any fossil fuel – had been specifically mentioned in a COP final agreement. This is very strange, given the central role of fossil fuels in the climate debate. The reference to coal probably represents the increasing toughness in the tone of COP’s pronouncements and, although it may sound trivial to some, this ‘naming and blaming’ was heralded as a breakthrough by environmentalists.

The show must go on. The UK will hold the presidency of the COP, until it hands over to Egypt in November 2022.

