



EU-RUSSIA CLIMATE CO-OPERATION IN THE ERA OF THE PARIS AGREEMENT

DO OPPORTUNITIES STILL EXIST?

ABSTRACT

If the EU aims to position itself as a global leader in the climate agenda, engaging with Russia on climate remains paramount. In a change of position, Russia has started endorsing greener economic development in general, and the international agenda to achieve climate neutrality. Does this offer new possibilities for co-operation in the light of persisting normative differences and provided the geopolitical context changes?

This policy brief offers a 'reality check' of co-operation opportunities. Political controversies have been on the rise since 2014; the track record of EU-Russia relations on energy throughout the 2000s has demonstrated numerous – often profound – difficulties. It concludes that any attempts at creating a formal partnership framework on climate will not only result in delays, but also reinforce the fundamental disagreements between the EU and Russia on climate. The emphasis is best put on the areas where the EU and member states have leverage over Russia either via 'carrots' or 'sticks'. In the past, EU policy influence can be detected whereby the EU has been able to find levers, thus to use its 'regulatory power'. This 'regulatory leverage' can be applied by the EU further in setting standards for access to its internal market, ranging from standards on methane emissions, to policy priorities on hydrogen, to compromises on the carbon adjustment border mechanism.



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Introduction

With the adoption of the European Green Deal in December 2019, followed by the EU Climate Law and the Fit for 55 package, the European Union (EU) has expressed its willingness to lead the international climate agenda as well as to engage with its partners in Europe and globally. The European Green Deal explicitly has developed an external dimension. Most important will be relations with those countries with high greenhouse gas (GHG) emissions, either *per capita* or absolute or both. Russia fits both categories.

The Pact of Glasgow, concluded at COP26 in November 2021, has opened new opportunities globally for new collaborative initiatives to reduce GHG emissions. All this together points to a need for the EU to re-engage on climate change with Russia, the world's fourth highest carbon emitter.

Recently, in a change of position, Russia has started endorsing greener economic development in general, and the international agenda to achieve climate neutrality. By 2019, Russia had finally ratified the Paris Agreement,

and, since then, adopted a number of new policy measures that align with international climate efforts.

This raises the question of whether the time is ripe for the EU and Russia to engage in co-operation on climate change. Even more importantly, it raises the question of how – if at all – this potential co-operation could relate to the broader geopolitical, economic, and normative differences that have long persisted between the parties.

To answer this question, this policy brief provides an assessment of previous – largely failed – EU-Russia initiatives for co-operation on energy and climate and highlights the reasons for failure, in order to formulate several concrete recommendations. It then describes and assesses a realistic and feasible *modus operandi* that could be employed by the EU in engaging with Russia. This policy brief draws conclusions for future avenues of co-operation, however narrow they may be.¹

1. A review of the EU's engagement with Russia: from strong declarations to disappointments

Since 1994, when the Partnership and Cooperation Agreement (PCA) was effected, the EU and Russia have tried and failed to collaborate effectively in the global climate

effort. Despite great hope that co-operation would be effective and mutually beneficial, the track record of EU initiatives aimed at creating comprehensive EU-Russia frameworks shows

¹ The work for this paper has been done during the year 2021. As a result it has been done against a background of a different geopolitical landscape. The authors recognise that on the one hand, many of the suggestions will depend on how EU-Russia relations develop. On the other

hand, the analysis of past EU-Russia initiatives holds, irrespective of future developments.

limited success. Tangible results have been achieved only in a few activities between Russia and EU member states.

For a long time, there has been a tendency to assume that the success of the EU's strategy for Russia would inevitably mean achieving some sort of formal institutionalisation, for example in the form of a comprehensive strategic agreement. This resonates with a conventional view of the EU's relations with other (neighbouring) countries as a gradual normative and economic convergence on the grounds of the EU *acquis* and/or values. This approach has been largely unsuccessful with Russia; however, experience shows that Russia engaged proactively (often out of necessity) with the EU when stakes were high (Kustova 2021). It is essential, therefore, that the success or failure of the EU's potential future engagement with Russia should not hinge solely on an agreement on a formalised (legal) framework. Even this is now on hold given the state of EU-Russia relations.

1.1 Past EU-Russia co-operation initiatives

In the past, there have been numerous initiatives aimed at formalising EU-Russia co-operation. They are briefly described and analysed below, thereby summarising the main lessons.

Partnership and Cooperation Agreement

The first political framework of bilateral relations was formalised by the EU-Russia Partnership

² The major disagreements on the draft Transit Protocol between the EU and Russia concerned a right of first refusal, non-discriminatory tariffs, and the Regional Economic Integration Organisation clause (the REIO clause, Article 20 draft Transit Protocol, the last formal version as discussed by the Charter Conference in 2003). Also, extensive discussions sought to find ways to clarify Article 7 ECT on Transit *inter alia* in the Transit Protocol. In order to resolve them, Russia and the EU conducted

and Cooperation Agreement (PCA), which has been in force since 1997. Ten years later, the parties attempted to renew the agreement. The objective was to create a more solid legal basis for co-operation, which would have covered energy, environment, and climate co-operation in a separate chapter (Emerson 2006; Konoplyanik 2009). Negotiations on this new agreement had been ongoing for years when – following political and legal controversies – they were halted in 2012, dashing hopes for an EU-Russia common regulatory space and a more formalised framework for EU-Russia relations (Romanova 2012).

The Energy Charter Treaty

The same fate befell the Energy Charter Treaty (ECT) – a multilateral legal instrument for investment protection and transit governance in energy – which aimed at creating common rules applicable *inter alia* in both Russia and the EU (Doré 1996; Konoplyanik and Wälde 2006). The ECT was not founded on a common understanding by both Russia and the EU. EU-Russia bilateral consultations on the draft Transit Protocol in the mid-2000s became deadlocked mainly due to disagreement between the EU and Russia on the issue of control of national resources trade, inherent in a set of technical issues covering access to energy networks.² In the aftermath of the gas transit conflicts with Ukraine in 2006 and 2009, and an outstanding arbitral decision on the Yukos case taken under the ECT in 2014, Russia withdrew from the

bilateral consultations during 2003-07 but failed to agree on a mutually acceptable solution. Once these diverging dynamics took over any co-operative effort, unresolved issues regarding the draft Transit Protocol blocked the entire Energy Charter Process.

Treaty.³ There was uneasiness on the side of Russia on the wider implications for disputes, not dissimilar to the uneasiness that the European Commission now shows with the ECT to date.

Since then, there have been several Russia-Ukraine transit disputes where the EU has attempted to mediate. After 2009, the EU and Russia created a bilateral Early Warning Mechanism⁴ to discuss and exchange information about short- and long-term risks over gas supplies. This Mechanism helped alleviate the negative fall-out of gas flows reduction, notably during the June 2014 Russia-Ukraine conflict. It became clear that Russia had an interest in remaining a reliable supplier of gas to the EU, which is by a large margin its biggest and most profitable market. This particular 'détente' helped to pave the way for the European Commission to act as a mediator in 2019 between Russia and Ukraine for new transit contracts.

EU-Russia Energy Dialogue

The EU-Russia Energy Dialogue launched in 2001 had raised expectations for a more structured and constructive co-operation between the EU and Russia in an area where stakes are high for both sides. The Dialogue took the form of a non-binding political consultation on issue-specific topics, avoiding the more controversial subjects such as PCA negotiations, gas transit and the gas export monopoly in Russia (European

Commission 2011). In 2013, the EU-Russia Roadmap for Energy Cooperation⁵ (perhaps the most ambitious EU-Russia initiative) was announced against the backdrop of the faltering Dialogue and rising tensions between the European Commission and Gazprom on gas market rules in the EU. As it turned out, the 'Energy Roadmap' was to become the last comprehensive and formalised document to be drawn up for the EU-Russia energy co-operation.

In 2014, the political crisis over events in Ukraine accelerated the abolition of the EU-Russia Energy Dialogue as well as the EU-Russia bilateral summits. The Gas Advisory Council (GAC),⁶ created in 2011 under the Energy Dialogue umbrella and consisting of representatives from EU and Russian gas companies, as well as academic and research organisations, continued in a limited format.⁷ To date, a major achievement by the GAC has been ensuring some element of consultation between the EU and Russia regarding important EU laws, for example regarding the regulation of new natural gas pipelines. Another example is the GAC consultations on amending the Network Code on the Incremental Capacity Allocation Mechanism. This mechanism frames the EU regulatory norms on construction of new infrastructure, and therefore is vital to the smooth flow of natural gas.

³ In October 2009, Russia terminated the provisional application of the Energy Charter Treaty.

⁴ EU-Russia Memorandum on a mechanism for preventing and overcoming emergency situations in the energy sector within the framework of the EU-Russia Energy Dialogue, 16 November 2009. https://ec.europa.eu/energy/sites/ener/files/documents/20110224_memorandum.pdf

⁵ https://ec.europa.eu/energy/sites/ener/files/documents/2013_03_eu_russia_roadmap_2050_signed.pdf

⁶ Originally, the GAC was planned to focus on investment opportunities in the energy sector, including market opening, secure and adequate infrastructure, and exchange of information on legislative initiatives.

⁷ The GAC continued working at the expert level of informal EU-Russia consultations on long-term perspectives, infrastructure, and regulatory risks on the EU internal gas market. <https://fief.ru/en/projects/item/rabochaya-gruppa-dolgosrochnye-gazovye-stsenarii-i-prognozy>

By 2014, it had become apparent that any co-operation besides what was strictly necessary to ensure smooth natural gas trade had come to a halt. The EU's hopes for a more comprehensive and formalised framework had been dashed. The very idea of 'EU norm' expansion towards Russia seemed unworkable.

Environmental co-operation

Environmental co-operation has been less controversial and less politicised, but not necessarily more successful. Followed by the launch of TACIS (Technical Assistance to the Commonwealth of Independent States)⁸ in the 1990s, with Russia as the largest recipient of its funds (around 40 percent), bilateral co-operation on environmental issues was shaped primarily by technical and financial assistance and mostly focused on addressing nuclear safety and interconnected biosystems in the border regions. An EU-Russia environmental dialogue was launched in 2006⁹ with high-level meetings within what is now yet another defunct EU-Russia initiative: the Four Common Spaces.¹⁰

Some regional activities in environmental protection co-operation still exist. One major example is the Northern Dimension Environmental Partnership, founded in 2002.¹¹ It covers projects dealing with efficient

management of natural resources, and water and air pollution in northwest Russia, bordering the EU Nordic states. After 2014, the Nordic states fully backed sanctions against Russian financial institutions, but the Nordic Investment Bank is still willing to fund environmental projects in Russia. Regional co-operation between Russian and European regions has also been maintained within the Interreg Baltic Sea Programme, co-funded by the EU, based on an agreement between several EU member states.¹² It is unclear whether this situation will continue.

Climate change and the Kyoto Protocol

As in the case of the EU-Russia Energy Dialogue, there were strong expectations regarding the Kyoto Protocol. In 2003, the EU and Russia came to an understanding about this Protocol. Russia's ratification was required in order for it to enter into force in early 2004 (Henry and McInitosch Sundstrom 2007; Buchner and Dall'Olio 2005). But these high expectations of the potential of the Protocol's Joint Implementation¹³ as a driver for European and other investment in Russia were disappointing to say the least (Tynkynen 2014). Ultimately, projects in Russia failed, partly due to the lack of a functioning domestic legal framework, the absence of a robust reporting, monitoring, and compliance system, and the slower-than-

⁸ TACIS (Technical Assistance to the Commonwealth of Independent States and Georgia) was the EU's flagship programme to support the economic reform process in the CIS countries immediately after the collapse of the former Soviet Union. Its main focus was technical assistance.

⁹ The European Commission, Bilateral and Regional cooperation – Russia – International Issues – Environment – European Commission, https://ec.europa.eu/environment/international_issues/relations_russia_en.htm

¹⁰ The European Commission, EU-Russia Four Common

Spaces, https://ec.europa.eu/commission/presscorner/detail/en/MEMO_05_103

¹¹ <https://ndep.org>

¹² <https://interreg-baltic.eu/about>

¹³ Joint implementation (JI) is a Kyoto Protocol mechanism that enables developed countries to carry out emission reduction or removal enhancement projects in other developed countries. Accordingly, investors from outside Russia could obtain credits for projects that reduce GHG emissions in Russia, and these credits could be monetised in global carbon markets.

expected creation of global carbon markets. Russia's increasingly critical attitude towards the international climate regime, the EU and its allies has certainly hindered the promotion of the Joint Implementation (Makarov 2016). Consequently, Russia did not sign up for the prolongation of the Kyoto Protocol after 2012.

1.2 EU unilateral actions

At the same time, there have been 'unilateral' moves by the EU, mainly related to gas supplies, that have triggered Russia's willingness to consent to the EU norms. These 'moves' are aimed at, for example, reducing vulnerability to Russian dependence through the completion of the EU internal gas and electricity markets, the creation of the EU Energy Community, or, more generally, diversification of energy supply via new infrastructure projects.

In its engagement with Russia, possibly the EU's biggest success has been its unilateral move on using the competition law and the so-called Third Energy Package,¹⁴ i.e. the EU's 'regulatory power'.

Antitrust investigation and re-negotiation of long-term gas supply contracts

The gradual market integration of the EU gas market triggered the need for very significant adjustments of Russian gas supply contracts. This included a shift to shorter and more flexible contracts, a more competitive approach to the use of EU gas infrastructure, and the abolition of so-called destination clauses, whereby gas imported by a member state could not be exported to another unless it was allowed by

contracts. These measures set up within the Third Energy Package aimed not only at broader objectives to liberalise EU natural gas markets, but also at weakening the market power of Gazprom, depriving it of the chance to 'divide and rule'. As Russia's Gazprom preferred the legacy of long-term contracts, it attempted to resist this trend. Several arbitral cases launched by European companies against Gazprom and the European Commission's antitrust investigations against Gazprom led to re-negotiations of long-term contracts with European utilities (Stern and Yafimava 2017). In 2018, Gazprom agreed to commit to the EU internal market rules.

The South Stream pipeline

In 2014, the European Commission was able to stop the planned Russia-sponsored South Stream gas import pipeline, attempting to bring gas from Russia to South East Europe, and then via an EU-sponsored pipeline to Austria. The proposed pipeline had been based on inter-governmental agreements among the countries concerned. With the exception of Russia, all other countries where the pipeline would have passed through, i.e. Austria, Bulgaria, Greece, Hungary, Italy, Serbia, and Slovenia, were bound as EU member states (or members of the Energy Community) by EU *acquis*. Notably, the EU's Third Party Access under the EU Gas Directive (2009) bound pipeline owners to grant non-discriminatory access to their gas networks on the EU's territory. To comply with this obligation, the South Stream pipeline needed either an exemption or a derogation from Third Party Access by the European Commission, which had not been granted. Without either an exemption

¹⁴ The Third Energy Package foresaw among others unbundling (a separation of production, transmission, and distribution activities); hub-based trade with price formation at hubs; and better capacity utilisation without long-term booking.

or a derogation, the South Stream pipeline would have been available for non-Russian gas, which was unacceptable for Gazprom. The Third Party Access would have undermined the project's economic and, most likely, political rationale, i.e. to ensure the dependence of South East Europe. The project was consequently abandoned by Gazprom in late 2014.

Diversification of gas supplies

The EU's diversification of gas supplies has indirectly challenged Gazprom's quasi-monopoly in Central and South Eastern Europe. Having invested into gas interconnectors and terminals for liquefied natural gas (LNG) within the EU, the EU has managed to reduce Gazprom's market power and, possibly, political influence in the countries that were interested in doing so. Diversification accelerated regional market integration (especially in the markets of Central and South East Europe), the development of new import infrastructure (such as the Trans Adriatic pipeline which transports natural gas from Azerbaijan), and the promotion of LNG as a competing source of natural gas imports. As a result, European gas markets became more interconnected and Gazprom's market leverage declined (ENTSOG 2017).

1.3 Joint infrastructure projects

There are only a few projects where the EU member states and Russia have been able to work together successfully in the post-Soviet era. First in the 1990s, the Yamal-Europe pipeline

connecting Russia to Germany via Belarus and Poland came about largely due to the friendly relationship between Polish President Lech Walesa and his Russian counterpart Boris Yeltsin. However, new political leadership in both countries and degrading political relations brought the extension of the Yamal-Europe pipeline to a halt. Since the 2000s, the two countries have worked hard at bypassing each other.

The Nord Stream pipeline connecting Russia to Germany beneath the Baltic sea was driven by bilateral ties between Germany and Russia. After the completion of this pipeline, both German and Russian stakeholders defended the idea of capacity expansion by two more pipelines, later to be called the 'Nord Stream 2' pipeline. However, transit countries, including Poland, felt alienated and vividly opposed the project. Controversies between the EU member states were further amplified by changes in the EU regulation which would be applied (including Third Party Access and ownership unbundling) to new offshore pipelines entering the EU territory (i.e. to Nord Stream 2). Currently, a legal dispute between the EU and Russia is brewing over the regulatory regime applicable to the pipeline. Nord Stream 2 investors registered in Switzerland have used the Energy Charter Treaty to sue the EU. This case is rather paradoxical because Russian stakeholders have used the Treaty, despite Russia abandoning it some years ago.

2. Comprehensive dialogue now on climate between the EU and Russia: reason for hope or yet another illusion?

The European Green Deal aims to achieve climate neutrality by 2050. To the surprise of many, in the past two years, the Russian political establishment has taken a pro-climate policy approach, ratified the Paris Agreement in

2019, and announced its own carbon neutrality objective (to be carbon-neutral by no later than 2060) just before COP26 in Glasgow (Government of Russia 2021; Gaida and Mitrova 2021).

Policy and expert communities have recently been expressing optimism for a possible re-engagement of Russia by the EU on these issues. Yet, at the same time, this is likely to require concessions on both sides. Representatives of civil society and think tanks from both sides put their hopes on a more pro-active engagement in areas of 'mutual interest' (Averchenkova et al 2021). However, such proposals for an 'EU-Russia climate partnership' resonate with the language of earlier EU-Russia Energy and Environmental Dialogues and co-operation on Kyoto Protocol implementation. The failure of those should make us pause, especially considering that the current political circumstances are even more challenging than they were two decades ago. With the escalation of political conflicts, prospects for formal institutionalisation, such as a comprehensive and constructive political dialogue on climate, seem over-ambitious. In addition, as it will be explored in the following section, the EU's political context has also changed.

2.1 The EU's ability to engage with Russia is impeded by a lack of consensus

In principle, the EU has committed to exploring the remaining areas open for dialogue and co-operation with Russia. In 2016, the EU adopted the 'selective engagement' approach towards Russia, choosing to engage only when it came to issues of interest to the EU, including climate, environment, and energy (Council of the EU 2016). Even after the High Representative of the European Union for Foreign Affairs and Security Policy and Vice-President of the European Commission (HRVP) Josep Borrell visited Moscow in February 2021 (a visit considered to be a low point in EU-Russia relations), the Joint Communication by the Commission and HRVP in June 2021 emphasised the need for more predictable relations with Russia. The Joint Communication adopted a three-point approach of 'push back, constrain, engage',

placing environment and climate issues into the category of 'engage'. Energy was classified as a 'constrain' issue, in the hopes of encouraging independence from Russia's fossil fuel supplies.

The EU recognises the difficulties associated with improving relations with Russia when it comes to political and human rights issues. Allegedly, Russia's position would be much in favour of disbanding broader political issues from climate co-operation. Some co-operation initiatives have been observed at the level of member states, for example Germany's non-paper circulated in March 2021 (*Financial Times* 2021). However, for these initiatives to become EU-level policies, a consensus in the European Council is required. This approach would be more challenging from the EU's perspective, because softening the 'push back' set of policy approaches would require an internal consensus within the bloc. Even the Franco-German initiative to reinstate the EU-Russia bilateral summits was vetoed by other member states (Herszenhorn et al 2021). Some member states' approaches to Russia, particularly in the context of sanctions, have hardened. So, any attempt at a politically softer pan-EU approach would likely face a veto.

2.2 EU sanctions and co-operation on climate – a view from Russia

In the aftermath of the escalation of Russia-Ukraine tensions which started in 2014, the EU imposed among others restrictions on the leading Russian banks (Gazprombank, Sberbank and Vneshekonombank) and on financial transactions for the energy companies Rosneft and Novatek. In Russia, the link between softening sanctions on green investment projects – and broader climate issues – has been discussed. The Adviser to President Putin on climate, Ruslan Edelgeriyev, was rather explicit about it at the Valdai Club meeting in October 2021. "If we want to reduce

emissions, then climate projects should not be sanctioned wherever they are – in Russia, Iran, Turkey, in America, in Britain,” he said, as quoted by Bloomberg.¹⁵

The EU probably would not agree with Edelgeryev’s approach, and sanctions are likely to be maintained. What is more, from the European Commission’s side, no major climate co-operation with Russia has been discussed in any of the EU’s initiatives.

The example of the EU Hydrogen Strategy¹⁶ may be worth noting. In the document, the European Commission does not mention Russia as a potential supplier, unlike North Africa and the Middle East. Hydrogen is a

necessary energy carrier used to supply low-carbon energy, especially for those sectors that cannot be easily electrified.¹⁷ It is likely that the EU will find it impossible to produce all the low-carbon hydrogen needed domestically and, therefore, would have to import hydrogen from outside (Cătuți et al 2021). This way, the current candidates for possible hydrogen export are likely to become major exporters of fossil fuels (for example North Africa, the Gulf, or Russia). The fact that Russia – at least theoretically – could become a major supplier of either low-carbon electricity or hydrogen to the EU could open an avenue for co-operation. For this to happen, however, the overall political climate would need to change or be ignored. Both are highly unlikely.

3. Energy and climate: what is realistically possible?

The overview of past relations between the EU and Russia briefly presented above reveals that prospects for a comprehensive EU-Russia partnership on climate remain unlikely, if not impossible, in the current circumstances. Besides the broader political disagreements, it remains unrealistic to expect that the parties’ different approaches to climate change mitigation could lead to a broader political co-operation on climate. But the disagreement goes beyond the current geopolitical situation.

One major obstacle might be that Russia does not endorse the EU’s approach to decarbonisation, even despite its numerous declarations of pro-climate ambitions (President of Russia 2021a, 32-4). Where the EU aims at ending the fossil fuel era, Russia’s understanding of climate policies is still very much based on making hydrocarbons fit into the transition, rather than fundamentally ‘greening’ its economy (see, for example, Makarov et al 2021; Makarov 2022).¹⁸ For example, Russia plans to reduce its emissions by extensive reforestation and

¹⁵ Bloomberg, 21 October 2021, <https://www.bloomberg.com/news/articles/2021-10-21/russia-will-seek-sanctions-relief-for-climate-projects-at-cop26>

¹⁶ European Commission, ‘A hydrogen strategy for a climate-neutral Europe’ July 2020 COM 2020, 301 Final, https://ec.europa.eu/energy/sites/ener/files/hydrogen_strategy.pdf

¹⁷ For example, energy-intensive industry such as steel, cement or chemicals, maritime transport, and aviation. Low-carbon hydrogen can be produced by renewable

energy, natural gas with carbon capture and storage of nuclear energy.

¹⁸ Various policy initiatives confirm this direction. Also, most ‘green’ options are likely to be focused on existing solutions derived from abundance of hydrocarbons (including carbon capture and storage, blue hydrogen, nuclear generation).

energy efficiency measures as opposed to fully decarbonising its energy and industry. President Putin expressed this position at the Valdai Club in October 2021 (President of Russia 2021b).

Yet another obstacle is emerging as the EU has updated its Arctic Strategy¹⁹ with its proposal for a moratorium on hydrocarbons exploration in the Arctic. It is in exactly this region that Russia is undergoing active hydrocarbon exploration and expanding infrastructure for the North Sea Route.

Against this background, possibilities for co-operation and/or dialogue may exist through case-by-case dialogues, the EU using its regulatory power or possible Team Europe action. All this assumes a change in the current geopolitical context.

3.1 Case-by-case dialogues

With consistent EU leadership by example, *case-by-case dialogues* between the EU and Russia could possibly be envisaged as long as they are not embedded in an attempt at political partnership. Room for closer (yet from an EU perspective – narrow) interaction on climate issues probably exists. Among others, senior officials' discussions with Russia were gradually resumed,²⁰ including through the first EU-funded EU-Russia Climate Conference,²¹ held in December 2020 (although its future is

uncertain due to the political situation). The Russian authorities have increasingly requested technical discussions with the EU on the possible impact of the EU's climate policy on the Russian economy. The EU has offered thematic discussions, including on topics such as carbon pricing, climate change adaptation, and possibly the carbon border adjustment mechanism.²² To an extent, this reflects the US's relationship with China, whereby the two countries have decided to allow for narrow co-operation on climate action, despite their competition elsewhere.

It should be expected that such interactions will focus largely on the exchange of experience and best practices. It is possible that there may be a gradual adaptation in some sectors. For example, best-practice exchange in promoting energy efficiency and renewable energy sources could become part of co-operative practices to a certain extent; an exchange on sustainable finance and taxonomy can follow as well. One may even envisage joint EU-Russia declarations, for example on promoting hydrogen technologies and carbon-neutral technologies. The fact that Russia endorses at least part of the EU's climate agenda may somewhat facilitate a gradual restart of co-operation. This will help assess Russia's willingness to engage in selective activities, even if policies are unlikely to change in the short term.

¹⁹ Joint Communication on a stronger EU engagement for a peaceful, sustainable and prosperous Arctic, 13 October 2021, https://eeas.europa.eu/sites/default/files/2_en_act_part1_v7.pdf

²⁰ <https://ec.europa.eu/info/sites/default/files/joint-communication-eu-russia-relations.pdf>

²¹ EU-Russia Climate Conference. A dialogue on climate policy and the next steps towards the Paris Agreement implementation in the EU and Russia, 1-3 December 2020, <https://www.skolkovo.ru/programmes/eu-russia-climate-conference>.

Funded within the Strategic Partnership for the Implementation of the Paris Agreement (SPIPA), a multi-country project that contributes to the EU's climate diplomacy efforts to promote the implementation of the Paris Agreement, [https://eeas.europa.eu/delegations/mexico_en/62990/Strategic%20Partnerships%20for%20the%20Implementation%20of%20the%20Paris%20Agreement%20\(SPIPA\)](https://eeas.europa.eu/delegations/mexico_en/62990/Strategic%20Partnerships%20for%20the%20Implementation%20of%20the%20Paris%20Agreement%20(SPIPA))

²² <https://ec.europa.eu/info/sites/default/files/joint-communication-eu-russia-relations.pdf>

Another outcome could be technological assistance and research co-operation. Among one of the most successful projects completed in recent years is the EU-funded Action on Black Carbon in the Arctic, implemented through the EU Partnership Instrument.²³ A variety of *ad hoc* projects and platforms could also lead to more interaction. EU initiatives that promote dialogue including sharing of information and best practice in the transition of coal regions, projects on education, and public awareness of climate, or measures on climate adaptation (for example, melting permafrost in northern Russia), could be envisaged in principle. Most likely, cross-border co-operation, especially in northwest Russia, will likely continue within the existing frameworks briefly described above. As Russia is a poor performer on most environmental indicators, best-practice exchange, dialogues, and technical assistance on waste management, reducing cross-border water and air pollution, the circular economy, sustainable forest management, and fighting forest fires (especially in the context of large-scale fires in Siberia in recent years) may also be attractive.²⁴

3.2 Using the EU ‘regulatory power’

Another additional lever available to the EU is to refer to what many would call the EU regulatory ‘power’ or the ‘Brussels effect’. This could become an important element to refute the argument repeatedly made that the EU is irrelevant in relations with Russia. The EU has already proven in many instances that it is able to use regulatory power, as demonstrated by the aforementioned examples of the European

Commission’s antitrust case investigation and the cancellation of the South Stream pipeline (see Section 1).

EU policy influence can be detected whereby the EU has been able to find levers to either stimulate Russia to engage with Europe or constrain Russia by a set of regulatory measures. In the aftermath of the recent EU climate initiatives, the Russian Parliament (Duma) adopted the long-awaited Law on GHG emissions. The draft had been delayed and amended numerous times (President of Russia 2021c). The key rationale of speeding up the adoption of this Law was likely to protect Russian exporters from a planned EU Carbon Border Adjustment Mechanism (CBAM) and to create a legal basis for the so-called ‘climate projects’ which became part of Russia’s negotiating position at COP26. Then, Russia finally admitted to the reality of climate change by committing to carbon neutrality by no later than 2060 in the Low-Carbon Strategy, adopted – again – right before COP26 (Government of Russia 2021). The Sakhalin region was announced as the area where the pilot project on carbon neutrality by 2025 would be started (Government of Russia 2020). Although it might be window dressing, and leaves considerable space for growing emissions, the pilot project is very symbolic (Safonov 2021). It is possible that this project could become a show case for successful co-operation, possibly even led by EU member states on the EU side.

The EU is most likely to continue positioning itself as a standard-setter globally. Practically, this will influence definitions and standards

²³ EUR 1.5 million in funding during 2018-20, <https://eua-bca.amap.no>

²⁴ As proposed, for example, in the Joint Communication on EU-Russia relations – Push back, constrain and engage, June 2021.

of future technologies such as low-carbon hydrogen, low-carbon materials (for example steel, cement, chemicals or aluminium), and also for natural gas in a transition period. Russia seems to value the profitability and reliability of the European gas market. Commercially relevant areas are:

- Methane emissions standards, which may include references to gas-flaring intensity and methane leakages from pipelines. The subject will gain relevance in light of the legislative proposal by the European Commission on methane emissions announced in December 2021.
- International hydrogen standards, within a large portion of the EU market, which may have a regulatory weight beyond the EU. Rules related to recognition of 'blue' hydrogen – hydrogen produced by natural gas steam reforming with carbon capture and storage, a favoured option by Gazprom – will have considerable impact on the Russian gas industry.
- The European Commission's proposal for the Carbon Border Adjustment Mechanism (CBAM), which once implemented, will, over time, affect Russian exports to the EU. The proposal has already proven to be an effective mechanism for 'waking up' Russian industrial stakeholders.
- The planned Sustainable Product Policy Initiative, currently under preparation by the European Commission, which will gradually lead to a situation where current EU product standards will be adapted to include a carbon element.

These 'sticks' could be complemented with some 'carrots' by engagement in other areas that have been mentioned above, including in renewable energy, energy efficiency, forestry, and technology co-operation and best practice in climate-related areas.

3.3 'Team Action' by member states and business

Additional 'political' traction could be created by bilateral Russia-EU member state co-operation. Some interest in closer co-operation has been expressed by member states, such as the Nordic countries, which pursue active sectoral policies with Russia. A number of European companies are still actively engaging in the Russian market.

It is possible that the EU's green policies may motivate Russian businesses to make greater strides in 'going green' and to start projects of their own. Two companies that showcase this are Fortum and Enel: two EU-based companies dealing in electricity and renewable energy, and which are running innovative renewables projects in Russia, even in the current political context. It is also possible, in principle, that there could be bilateral co-operation by member states on civil nuclear energy or carbon capture and storage (CCS) technologies. Many oil- and gas-exporting countries – notably Saudi Arabia – see CCS technology as the key to their low-carbon transition. The EU is a world leader in this technology.

The level of 'team action' – when for instance a group of member states, possibly backed up by industry organisations, co-operates with Russia on issue-specific topics – may include *inter alia*:

- Development of renewables: though marginal in the context of the Russian economy, it could be of interest in a regional context, for example the electricity interconnection between wind farms in the Murmansk region near Finland.
- Fields such as the promotion of environmental protection, energy efficiency, renewable energy technologies and bilateral co-operation in shaping the hydrogen economy. Many member states have effective energy efficiency programmes,

- which Russian regions may be interested in.
- Finally, intra-industry communication on the CBAM, which offers the possibility of an

ongoing exchange between national, EU and Russian industry.

4. Conclusions and tentative recommendations

While climate change is gradually becoming a more important policy area in Russia, even under the assumption that overall relations improve, climate change is unlikely to be a catalyst for improving the difficult relationship between the EU and Russia. In the past, numerous initiatives in energy failed, despite it being a far more important field for Russia than climate change, and despite the hopes that co-operation would work best in an area of interdependence. Deep-rooted differences in the understanding of the climate agenda are also likely to hinder rather than help such co-operation on climate.

However, if the EU aims to position itself as a global leader in the climate agenda, engaging with Russia on climate remains paramount. It is also important for reducing emissions globally. Still, this does not require a new formal framework of co-operation, which seems neither necessary nor even possible. If history has taught us anything, a formalised partnership may actually be detrimental.

Instead, the emphasis is best put on those areas where the EU and member states have leverage over Russia, either via 'carrots' or 'sticks'.

1. It is best to informally test those areas in which Russian stakeholders have an interest, notably industry or regional government. Otherwise, new EU initiatives from Brussels will be diluted by political controversies.

2. At the same time, the EU should use its regulatory power in setting standards for access to its internal market. This regulatory leverage would range from standards on methane emissions, to policy priorities on hydrogen, to compromises on the carbon border adjustment mechanism. In the medium term, one could imagine a working group on the carbon border adjustment mechanism.
3. Finally, the EU, along with its member states, should incentivise various levels of 'team action', leading to thematic co-operation ranging from renewable energy co-operation, to environmental protection, to inter-industry communication. Areas of thematic co-operation can even expand and common grounds for *ad hoc* co-operation may be found.

At the same time, any attempts at framing relations within a formal partnership framework will not only result in delays, but also serve to highlight fundamental disagreements between the EU and Russia. Judging from previous experiences, a formal framework is likely to generate new controversies and undermine sector-specific engagements.

All these reflections depend on the future developments in EU-Russia relations and the general geopolitical outlook. Should relations improve, some of the ideas developed in this paper may actually become workable. If relations do not improve, ideas will likely remain theoretical.

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