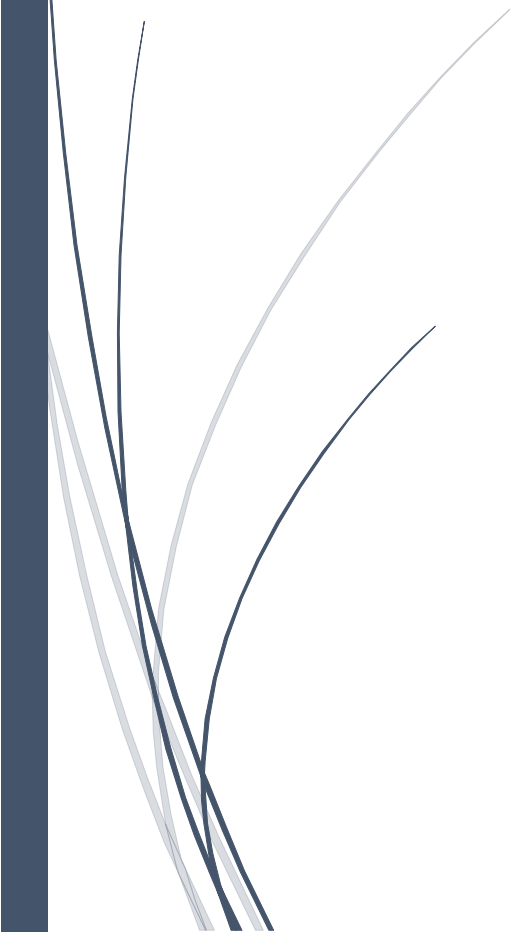


Guidelines for the implementation of “green” economy principles in the EAEU



By Decision of the Supreme Eurasian Economic Council of 11 December 2020 № 12 the heads of state of the EAEU Members have agreed on the “EAEU Integration Development Strategy to 2025”, paragraph 8.3.7 of which lays the basis for the implementation of “green” economy principles in the framework of the EAEU. This paper outlines the proposed principles of “green” transformation in the EAEU.

The Treaty on the Eurasian Economic Union, hereinafter referred to as “the EAEU Treaty”, among its provisions relating to the goals of the Union pertaining to environmental sustainability and implementation of “green” economy principles, mentions the following:

- working out and adoption of technical regulations aimed at protecting the environment, ensuring energy efficiency and resource saving (Art. 52);
- ensuring efficient use of fuel and energy resources¹ (Art. 79-85);
- reduction of transport’s adverse environmental and health impact (Art. 86);
- taking account of the criteria of energy efficiency and environmental impact in the pricing policies of natural monopolies (Sections III, IV of Annex 20);
- incorporation of environmental compliance in the development of guidelines for the staged introduction of common EAEU gas, oil and oil products’ markets (Art. 3 of Annex 22, Art. 3 of Annex 23).

Furthermore, formulation of the “green” economy principles draws on the United Nations Sustainable Development Goals (SDGs) as well as on the EAEU Member States’ national sustainable development strategies.

A key component of the concept of sustainable development is the efficient use of all types of resources: natural (including ecosystem services), engineering and manufacturing (including buildings, machines and equipment), industry-related (recyclable materials), institutional and managerial, as well as of human potential.

¹ In particular, Member States interoperate in the sphere of energy on the basis of the principle of ensuring market-based and competitive pricing policies in respect of energy resources as well as eliminating various sorts of barriers on the common energy resources’ markets. Introduction of the common oil and gas markets shall create conditions for implementing economically justified pricing and efficient allocation of fuel and energy resources.

This approach is reflected, respectively, in SDG 6 “Clean Water and Sanitation”, SDG 7 “Affordable and Clean Energy”, SDG 8 “Decent work and economic growth”, SDG 9 “Industry, innovation and infrastructure” and SDG 12 “Responsible consumption and production”.

Taking into consideration the EAEU Member States’ national sustainable development strategies, the following common “green” economy principles have been identified in respect of the EAEU framework:

1. Ensuring transparency and cooperation appeal of “green” projects in the EAEU Member States.
2. Sharing experiences and best practices between the EAEU Member States on the functioning of national climate regulatory systems.
3. Prioritizing economic efficiency in the choice of approaches and techniques to implement “green” projects in the EAEU Member States.
4. Ensuring the decoupling (increase of gap) between economic growth and human impact on the environment and climate.

1. Ensuring transparency and cooperation appeal of “green” projects in the EAEU Member States.

A classification system is needed for objective evaluation of “green” projects in the EAEU Member States, i.e. a system of classification which establishes requirements to institutional investors, asset and corporate managers in respect of ensuring the environmental and resource efficiency of projects and types of economic activity, as well as with regard to the preparation and disclosure of companies’ sustainability reports. Such a classification system is known as taxonomy².

On the basis of the analysis of existing international practices, the development of the model EAEU taxonomy should take account of the concept of best available techniques (BAT). In this regard, the specific indicators contained in the national BAT reference documents will be based exclusively on the national priorities and on the objectives of the EAEU Members’ industrial policies. It is advisable that the EAEU Member States share their experiences of the BAT’s utilization. The elaboration (updating) of the EAEU Member States’ national

² On 22 December 2022 the High level working group on drafting proposals to align the EAEU Member States’ positions within the framework of the climate agenda adopted a model taxonomy of the EAEU’s “green” projects (available on the EAEU official website: <https://eec.eaeunion.org/upload/medialibrary/df7/Kriterii-dlya-opublikovaniya-Modelnaya-taksonomiya.pdf>).

“green” projects’ taxonomies can be facilitated *inter alia* by the use of relevant standards developed by the international standardization bodies.

Despite the wide use of the term “green project”, there is no straightforward, unambiguous definition to it. Usually projects are deemed “green” when they are aimed to substantially reduce the negative environmental impact and the greenhouse gases emissions or to increase resource-efficiency; to install buildings and facilities with high environmental and energy efficiency; to preserve and restore ecosystem services.

A comparative study of the “green” projects’ and activities’ taxonomies elaborated and officially published in 2010-2022 allows to distinguish a set of generally recognized criteria (environmental goals):

- 1) implementation of BAT for pollution prevention and control as well as for improved resource-efficiency;
- 2) adaptation to climate change;
- 3) sustainable management and protection of water supplies (including marine resources);
- 4) developing a circular economy;
- 5) reducing emissions or increasing capture (sink) of greenhouse gases;
- 6) preserving and restoring biodiversity and ecosystems.

The results of the comparative study correspond to the listing of the said criteria in the relevant documents of international organizations. It is important to note that these criteria are assumed to be used together with the “do no harm” principle, which is to ensure that a positive effect achieved according to one criterion should be accompanied by an absence of negative effects with respect to the remaining five. Accordingly, prioritized (and supported) are projects which achieve synergies, namely, the ones that improve indicators according to more than one criterion.

The model EAEU taxonomy adopted by the High level working group on drafting proposals to align the EAEU Member States’ positions within the framework of the climate agenda provides general requirements for “green” projects as well as requirements reflecting the distinguishing national regulatory features of the Republic of Kazakhstan and of the Russian Federation. It is understood that this model taxonomy can be taken as a basis for successive updating as necessary to reflect the national specificities pertaining to the Republic of Armenia, the Republic of Belarus and the Kyrgyz Republic.

2. Sharing experiences and best practices between the EAEU Member States on the functioning of national climate regulatory systems.

The EAEU Member States develop national regulations on climate in accordance with their own priorities of “green” transformation.

In the course of operating climate projects (including climate adaptation projects) and projects targeting environmental and technological modernization - taking into account their costliness and regulatory burden - national regulators may be compelled to take measures to “level off” the conditions facing companies from different EAEU Member States in specific market situations. Such “levelling-off” measures may bear characteristics of barriers and restrictions with regard to cross-border trade and investment within the common EAEU market. In these circumstances it is advisable to keep the EAEU partners informed of the application of the BAT’s criteria and performance indicators, which should help to avoid setbacks with regard to attractiveness of the abovementioned projects for potential stakeholders from two or more Member States.

Best available techniques represent a set of technological, technical and managerial solutions which enable companies to achieve higher resource-efficiency of production and lesser negative environmental impact (including lower greenhouse gas emissions) by economically viable means. Implementing BAT and improving resource-efficiency creates conditions for reducing negative environmental impact and carbon intensity of products and process technologies. In those EAEU Member States where the BAT framework is (or will be) legally stipulated, the development of project evaluation criteria should be guided by the national BAT reference documents.³

³ BAT are defined by experts and described in the national reference documents resulting from benchmarking procedures (comparative studies) which are carried out based on the goals of achieving efficiency in terms of use of resources, environmental and climate protection. Benchmarking is a process which allows to use prescribed algorithms to collect and organize data on groups of companies (by industry sector). It is understood that such data enables comparisons and rankings based on specific key indicators, the latter being science-based scores of the progress made on the said goals. In particular, with regard to greenhouse gas emissions, benchmarking may feature as an exercise of comparatively studying the indicators of greenhouse gas emissions intensity rates demonstrated by the EAEU Member States’ enterprises on the basis of which indicative figures may be established in order to be used in the national carbon control systems.

Benchmarking, therefore, results in a ranking of enterprises of a given industry sector according to the abovementioned key indicators which are relevant to that particular sector. For each sector a borderline parameter value is set dividing enterprises into groups of “leaders” and “laggards”. This division enables national governments to differentiate their regulatory approaches to these two groups.

As an example, the information on all the BAT reference documents and their revisions adopted in the Russian Federation may be consulted on: <https://burondt.ru/itc>.

This BAT-oriented approach may serve as a basis for the EAEU Member States' mutual awareness regarding their national climate regulation systems within the EAEU framework. In the same vein, it can minimize risks of emergence of barriers to cross-border trading activities.⁴

3. Prioritizing economic efficiency in the choice of approaches and techniques to implement “green” projects in the EAEU Member States.

Conventional wisdom depicts transition to BAT as an implementation of some unique, exceptional imported technologies, always with installation of costly waste treatment facilities, measurement tools and so forth.

In reality, however, it is about a new project evaluation approach based on clearly defined criteria with quantifiable performance indicators. These indicators are established in the BAT reference documents for each industry sector. The reference documents organize data on currently applied techniques (such data serving thus as “technological portraits” of sectors of real economy) as well as information on advanced solutions which gradually come to replace the existing ones. Indicators displayed in reference documents serve to distinguish between modern technologies and obsolete ones.

It should be noted that mandatory requirements do not appear in the reference documents. The reference documents' purpose is mainly to provide for a given industry sector a quantifiable description of the level of technological development as well as data on what changes are to be expected in the nearest future. Application of the quantitative performance indicators provided in the reference documents enables an objective evaluation of the solution design and allows the choice of solutions based on their priority order, thereby ensuring a meaningful balance between financial performance, environmental and resource efficiency and socio-economic development.

The data organized in the reference documents can be used by relevant government regulators to draft laws and regulations necessary to implement policies in areas of their mandates, in particular, by way of setting up government-supported assistance programs targeting projects with higher and more advanced performance indicators than the ones in the reference documents. Hence, comes forward a tool

⁴ In accordance with paragraph 1 of Instruction of the Eurasian Intergovernmental Council of 8 June 2023 № 3 the Eurasian Economic Commission jointly with governments of the EAEU Member States shall submit proposals on the prevention of restrictions and barriers caused by climate regulation of the EAEU Member States which shall include coordination of the Members' approaches to climate agenda aimed to implement their national greenhouse gas emissions' reductions goals.

which allows to prevent technological inferiority from being designed and, at the same time, to successfully roll out government assistance programs targeting the real sector of economy on the basis of the BAT principles (i.e. with due regard to the benchmarks presented in the reference documents in straightforward terms).

Accordingly, the mandating of criteria and the setting of performance targets (that is, on the national level of the EAEU Member States) will focus on fundamental economic principles. If an investment project results in efficient use of physical, environmental, energy, financial and human resources – then it is about true “green” modernization.

4. Ensuring the decoupling (increase of gap) between economic growth and human impact on the environment and climate.

Implementation of the “green” economy principles within the EAEU framework aims to ensure the sustainable development of the EAEU Member States which requires economic growth to be accompanied by concurrent reduction or suppression of negative environmental and climate impact. Hence, the “green” transformation is intended to reduce greenhouse gases emissions’ and pollutants’ intensity, including direct emissions from manufacturing activity and indirect ones from energy and electricity consumption, as well as to reduce the volumes of water usage and wastes generation by means of their reuse. In particular, the accomplishment of the EAEU Member States national greenhouse gases emission reduction goals along with the introduction of restrictive measures across international markets targeting imports with high carbon footprint underscore the importance to significantly reduce the industrial sector’s carbon intensity, *inter alia* through implementing resource-saving and energy-efficient technologies as well as by using low-carbon energy sources.

In the light of the above, in order to obtain a quantitative macro level assessment of the implementation of “green” economy principles it is appropriate to use the following set of indicators, each of them correlating the baseline of GDP (output) dynamic pattern with, respectively:

- the pattern of the amounts of greenhouse gases’ and pollutants’ emissions;
- the pattern of consumption of fuel and energy resources taking into account the utilization of renewables and alternative power supplies, including hydroelectricity, atomic and hydrogen energies;
- the pattern of the amounts of usage of water, forest and other natural resources;
- the pattern of productive absorption of recyclable material.

The unique difference of these quantitative indicators is based on their ability to most accurately reflect the productiveness of resources defined as the capacity to create more added value with less environmental pressure. Moreover, in addition to these, the EAEU Member States may use other indicators (both qualitative and quantitative) in the course of the implementation of their national sustainable development programs and of the present Guidelines.
