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Russia: The Long Road to Ratification. Internal Institution and Pressure Groups in the Kyoto Protocol's Adoption Process

Summary

The Russian Federation played a crucial role in the ratification of the Kyoto Protocol. Indeed, after the US decision not to comply with the treaty, its ratification turned out to be indispensable for the Protocol to become legally binding. In early 2002, the Russian government decided to initiate the ratification process. However, notwithstanding this initial commitment, the country long hesitated to fulfil its promises, and for the last two years it sent numerous contradictory signals with respect to its position on climate policy. As a consequence, the factors that shape Russia's behaviour in the context of climate negotiations received increasing attention. The main focus has been on the economic and international aspects motivating the Russian strategy. This paper attempts to complete this analysis by concentrating on a further feature that significantly contributed to Russia's final decision, namely domestic forces. These factors have often been overlooked in the discussion of the Russian strategy. In order to fill this gap, this paper reconstructs the Russian ratification process, trying to identify the main domestic players and their role. Our findings provide various indications on the reasons of the recent developments in Russia, confirming the key role of the Russian President.

Keywords: Agreements, Climate, Incentives, Negotiations, Policy

JEL Classification: H11, P27, P28, Q28, Q58

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RUSSIA: THE LONG ROAD TO RATIFICATION

1. INTRODUCTION

The Russian Federation has played a crucial role in the ratification of the Kyoto Protocol. A precondition for making the agreement legally binding is that at least 55 Parties to the Convention, representing at least 55% of the 1990 carbon dioxide emissions in industrialised countries, must have ratified the Protocol. After the US decided to withdraw from the treaty, with its 17% share of emissions Russia has held the key to Kyoto for a long while.

Although the decision by the government to start the process of ratification for the Kyoto climate treaty goes back to April 11th, 2002, Russia has long hesitated to fulfil it. Indeed, the last two year-period has been characterised by a number of contradictory signals. However, a series of international agreements has been signed, whose adoption was predicted to have a positive repercussion on the signing of Kyoto. Finally, the recent approval of the treaty by the lower House of Parliament and a bill signed by President Putin have been internationally welcomed as the last move preceding the Protocol's entry into force.

Several studies have been conducted to assess the factors that shape Russian behaviour in climate negotiations. The economic implications of the Protocol's ratification for the country have been analysed in order to define the incentives to participate in the treaty. Other approaches have focused on concessions in international policy areas, like the support for WTO membership, as the main goals in Russian brinkmanship strategy.

One hypothesis is based on a costs and benefits analysis and the other refers to the consequences of the bargaining strategy of Russia. Together, they represent the economic and the international sides of the ratification process. Both of the approaches provide key elements to understanding Russian reluctance to adopt the Kyoto framework. To enrich the picture, however, a further factor must be added, namely domestic forces which have contributed importantly to the fate of the Protocol.

This paper focuses on these internal factors. After a detailed reconstruction of the Russian ratification process, this work separately considers the main domestic actors and their role in it. The country's political system is analysed through its ambiguities, inherited by the collapse of the former regime, and its recent controversial reform, undertaken by President Putin. It is argued that the apparent antagonism within and between governmental departments, together with the redundant number of institutions in charge of environmental protection, have impacted the Kyoto Protocol adoption process.

The large and unstable energy sector is taken into consideration for its interactions with political power. The paper will also discuss the federal government response to what it considers to be a threat represented by the treaty's potential benefits to the industry. A further section centres on the Russian environmental non-governmental organizations. While lacking strong national support and public involvement, NGOs operating on environment protection are numerous and represent one of the voices most clearly in favour of

the ratification. Finally, the paper examines the media sector, concentrating on its role in the negotiation process.

2. APRIL 2002 – NOVEMBER 2004: THE RUSSIAN RATIFICATION PROCESS

The Kyoto Protocol was adopted by 84 countries at the Third Conference of Parties to the Climate Convention in December 1997. It sets the target of reducing by 2008-2012 global emissions of carbon dioxide and other greenhouse gases by about 5% compared to 1990 levels. Opened for signature in 1998, the treaty must be ratified by at least 55 countries to become legally effective, representing at least 55% of the 1990 GHG emissions in industrialized countries. While the first condition was fulfilled in May 2002 by the ratification of the treaty by Iceland, the declaration by US President George W. Bush that the United States of America would step away from the Protocol represented a hurdle for the second threshold to be crossed. The 36.4% American share of Annex I emissions means that a large coalition of countries is now needed to secure the Protocol. Altogether the shares of the European Union (24.2%) and Japan (8.5%), plus nations from Central and Eastern Europe, Canada and Norway, represent 44.07% of 1990s CO₂ emissions. With its 17.4%, then, the Russian Federation holds the deciding vote on whether the Protocol will ever become legally effective.

Although the decision by the government to start the process of ratification of the Kyoto climate treaty goes back to April 11th 2002, Russia has long hesitated to fulfil it. The last two year-period, however, has witnessed at the same time conflicting assessments by government's members, encouraging declarations forecasting a ratification in the very near future, domestic groups of influence taking action, and fruitful international meetings. Indeed, at the end of this process, Russia has decided to ratify the Kyoto Protocol in October 2004. The following section will briefly outline the facts and the main actors involved in the process.

The necessary formal procedure of ratifying the Kyoto Protocol was launched by a decision of the Russian government, which postponed consideration of the issue four times since March 14th 2002. According to the formal procedure, the Minister of Economic Development and Trade must report on the impacts of the implementation to the Deputy Prime Minister, who has to raise the question in a meeting of the government. Then the government has to pass the ratification bill and the supplementary papers to the Russian Parliament's Lower House, the Duma, whose Bureau must nominate Committees to consider details and report to the plenary. The plenary has one to three official hearings on adopting the law for ratification by 50% of the votes. Finally, the Council of the Russian Federation (Parliament's Upper House) considers and adopts the law with the President's signature.

In January 2003, the Minister of Economic Development and Trade, German Gref, sent his paper to the Deputy Prime Minister Victor Khristenko for the first time, including very skeptical views on Kyoto, but he

was asked to improve the submission. Before this bureaucratic act, however, the Russian government had twice expressed its commitment in a brief ratification process. In the concluding statement of the ninth EU-Russia Summit on the May 29th 2002, it was emphasized that the “environmental aspects of the Russia-EU relations are taking concrete shape [...] We will make every necessary effort to ensure that the Kyoto Protocol becomes a real tool for solving the problems of global warming as soon as possible”¹. Moreover, during the World Summit on Sustainable Development held in Johannesburg in September 2002, Russia officially reiterated its commitment to ratification. Prime Minister Mikhail Kasyanov announced that Moscow hoped to adopt the Kyoto Protocol “in the very near future”².

On the same day, the Russian newspaper *Pravda* reported a statement of the then-Deputy minister of Economic Development and Trade of Russia, Mohammed Tsikanov, affirming that “Russia is losing economic reasons to ratify the Kyoto Protocol” because of the impact of the US position at the WSSD talks on Russia’s “ability to negotiate the quota of emissions”³. While having at that time represented a political act without precedent, double and contradicting announcements were bound to become a constant in the Russian vicissitudes toward Kyoto.

This type of bargaining has continued around the Protocol, notably in conjunction with a number of bilateral discussions between Russia and Canadian, Japanese, and European delegations. Among others, an extremely representative sample of this tendency was shown during the World Climate Change Conference which took place in Moscow from the September 29th to October 3rd of 2003. Announced on the occasion of the EU-Russia summit of May 2002, the Conference was taken as a signal of Russia’s interest regarding environment and as a good omen for the Kyoto Protocol.

The international meeting was preceded by two encouraging declarations. In June of 2003 the working group of the Presidium of State Council of the Russian Federation (Gossovet), an advisory body, representing the governors of Russia’s 89 federal administrative units and chaired by President Vladimir Putin, recommended ratification of the Protocol. In September, the Russian Interagency Committee on Climate Change (a body which advises the President in his final decisions about climate change policies⁴) approved a draft concept of the legal basis for implementing the Kyoto Protocol in the national legislation, that was prepared by the Ministry for Economics.

Given the seemingly favourable context, many observers expected that the Putin government would issue papers for the Duma to start preparing a law on ratification. However, addressing the Moscow Conference on Climate Change, the Russian president visibly avoided offering any commitments on the Kyoto Protocol. He said that “Russia stands for the quickest possible ratification” of Kyoto, but then affirmed that

¹ http://europa.eu.int/comm/external_relations/russia/summit_05_02/state.htm

² <http://ods-dds-ny.un.org/doc/UNDOC/GEN/N02/636/93/PDF/N0263693.pdf?OpenElement>

³ <http://english.pravda.ru/politics/2002/09/03/35910.html>

there were still “difficult and unclear problems”⁵. He joked that global warming might be good for frigid Russia⁶.

The government’s declaration contradicted Putin’s chief economic adviser, Andrei Illarionov, who predicted a few days earlier that Russia would not ratify the Protocol. In a presentation headed “The Kyoto Protocol is discriminatory against Russia”, Illarionov swept aside arguments that Russia would benefit economically from ratification through its ability to sell emission credits to other countries. He warned that strong projected economic growth and the likelihood of stronger emission curbs later turn Russia into a buyer rather than a seller of credits. He also presented ten questions, which were answered by members of the Intergovernmental Panel on Climate Change (IPCC) attending the conference. In a second speech Illarionov claimed that he was totally unconvinced by responses⁷.

The Conference of the Parties to the Kyoto Protocol (the highest institution established by the UN Framework Convention on Climate Change) held in Milan in December of 2003 provided the stage for a surprisingly similar episode. On Tuesday December 4th the international media reported Andrei Illarionov saying that Russia would withdrawal from the Protocol because it would slow economic growth⁸. In a hurriedly organized news conference that was called to offset the impression left by Putin’s adviser’s comments, a few hours later Minister for Economic Development and Trade Tsikanov said that “there are no decisions about ratification of the Kyoto Protocol except that we are moving toward ratification”⁹. A diplomatic incident nearly occurred on Thursday 6th when Illarionov said that he was speaking for President Vladimir Putin when he rejected the Kyoto pact, adding that the Deputy Economy Minister who contradicted him was mistaken: “the statement was made physically by me, but the words I was using were those of the Russian President”¹⁰.

The Russians’ ambiguous stance on ratification had not changed even in the months that preceded the meeting in Milan. While repeating his good will in several international occasions (as in the October 19th Asia-Pacific Economic Cooperation Summit in Bangkok,), Putin did not miss any opportunities to sit at the negotiating table, whatever it might be. He received a visit from former US President Bush and former US Secretary of State Henry Kissinger to speak about the treaty, followed by a Russia-US Summit in S. Petersburg less than one month later. A European Parliament delegation met their counterpart from the Duma in Moscow and there were innumerable other visits from EU member states and the Commission on the subject as well.

⁴ commission’s decisions are not legally binding, and it cannot mandate ministries to implement any climate change policies

⁵ <http://ln.mid.ru/B1.nsf/arh/9857817A0C3D100A43256DB1002FC782?OpenDocument>

⁶ http://maindb.unfccc.int/media/headlines/?id_topic=15

⁷ http://www.ito.umnw.ethz.ch/SysEcol/Articles_Reports/Illarionov_QandA_WCCC_2003.pdf

⁸ http://www.reuters.com/locales/newsArticle.jsp?type=topNews&locale=it_IT&storyID=3940536

⁹ <http://www.washingtonpost.com/ac2/wp-dyn/A31935-2003Dec3>

¹⁰ http://www.reuters.com/locales/newsArticle.jsp?type=topNews&locale=it_IT&storyID=3936217

Parliamentary elections in December 2003 and Presidential elections in March 2004 were also referred as events able to interfere with the debate. Environmental NGOs such as Greenpeace and the WWF, participating in the Climate Change Conference in Milan, affirmed that the statement of the Russian economic advisor against the Kyoto Protocol was “nothing more than pre-election bluster”¹¹. President Putin said to journalists that he was determined to ratify but problems would rather lay with Duma¹².

Many observers saw the victory of the presidential party as an encouraging signal: the opposing wing being cut off, they argued, should have accelerated ratification after the presidential elections. Last December’s parliamentary election gave near total control of the Duma and its committees to the pro-Kremlin United Russia party. This, together with Putin’s landslide victory in the Presidential elections on March 14th, meant that ratification of Kyoto was in Putin’s hands.

Despite this seemingly clear cut political context, however, Russia’s government and Parliament looked to be headed for a collision on April 15th, with key Duma committees rejecting the Protocol and one major ministry speaking out in favour of the environmental treaty. Some economic ministers had already backed the pact, and the addition of the influential Minister of Industry and Energy to their number appeared to be a move towards forming a single government position. Viktor Borisovich Khristenko prepared a report for Putin (who last October ordered state bodies to report on Kyoto before the Kremlin ruled on the issue by May 20) arguing that the protocol poses not threat to Russian economy. The Ministry said that even if Russia’s economic growth remains at the level of 8% a year, the average level of greenhouse gas emissions in 2008-2012 will still be 15% less than the level determined for Russia in the Kyoto Protocol.

During the State Duma Parliament hearing “On Problems related with the ratification of the Kyoto Protocol”, which took place the same day, a group of committees concluded that “ratification is inexpedient given the US pullout and the non-participation of many countries with high levels of man-made impact on climatic processes”. The hearing was conducted on the initiative of the Committee on Ecology in cooperation with the Committee on Economic Policy, Business and Tourism and the Committee on Foreign Affairs. According to Reuters, several deputies were clearly uncomfortable about making a decision without guidance from higher authorities and an official presidential position or an official government position¹³. Greenpeace defined the hearing “a great defeat” of the Kyoto opponents¹⁴.

The followings days were crowded with anonymous statements to the media by governmental sources. On April 19th the news agency Itar-Tass reported that Russia’s Deputy Prime Minister Alexander Zhukov met

¹¹ Press Office by Greenpeace International, quoted in <http://www.bioscinews.com/files/news-details.asp?NewsID=5498>

¹² Interview with the President of the Russian Federation, Mr. Vladimir Putin, for *The New York Times*, reported in <http://pws.prserv.net/mirusce/pr21-03.htm>

¹³ Reported by Reuters in <http://www.alertnet.org/thenews/newsdesk/L15404923.htm>

¹⁴ http://www.greenpeace.org/russia_en/news/details?item_id=458300

his counterpart John Prescott in London to discuss the Protocol¹⁵. On the 21st, an anonymous Kremlin member told the daily *Kommersant* that the announcement of the ratification may be made during a two-day visit to Russia by Italy's Prime Minister Silvio Berlusconi, which had started the day before. "If Russia's policy shift on Kyoto is not made public during the visit it is likely to emerge at the EU-Russia summit in May"¹⁶.

Forecasts of this kind represent a standard feature of the Kyoto debate. As shown above, during the last two-year period, every international appointment has been predicted to be the defining crossroads of the process. The same fate happened to the visit of the European Commission President Romano Prodi in Moscow on April 22nd. Although both the Russian and the European President never made the link explicit, according to many observers the EU tried to coax Russia into ratifying the Kyoto Protocol on greenhouse gases by offering to smooth Moscow's accession to the World Trade Organisation. Parts of those talks have also been issues related with the European enlargement: such as Kaliningrad, a key cargo transit zone wedged between new EU members Poland and Lithuania, and the PCA (Partnership and Cooperation Accord) between Moscow and European Union. An agreement to extend their economic and political relationship to the Union's 10 new members (PCA) and to allow Russia free transit of goods to Kaliningrad was signed few days later.

One more time, given the positive outcome of the meeting, great expectations were thrown on the forthcoming EU-Russia Summit in Moscow. For a long time there had been speculation that the EU might back Russian WTO membership in return for Moscow's ratification of the Kyoto Protocol. During the EU-Russia summit on 21st May 2004, EU Trade Commissioner Pascal Lamy and the Russian Economy Development and Trade Minister German Gref signed the agreement concluding the bilateral market access negotiations for the accession of the Russian Federation to the WTO. The deal covers the commitments that the Russian Federation will undertake in good and services once it accedes to the WTO¹⁷.

Although there was no formal mention of the Kyoto Protocol in the agreement, and although, according to its President, Russia did not make any linkage between the WTO and the Kyoto Protocol issues in talks, American AP news agency reported Putin to speak positively of Kyoto afterwards. "The EU has met us halfway in talks over the WTO and that cannot but affect positively our position on the Kyoto Protocol," Putin told a news conference. "We will speed up the movement on Russia's ratification of the Kyoto

¹⁵ <http://www.itar-tas.com/eng/prnt.html?NewsID=712799>

¹⁶ in Russian; quoted in <http://www.independent.co.uk/europe/story.jsp?story=513638>

¹⁷ Details in

<http://www.europa.eu.int/rapid/pressReleasesAction.do?reference=IP/04/673&format=HTML&aged=0&language=en&guiLanguage=en>

Protocol”¹⁸. The premise of accelerating the process, however, was the clearest statement on the subject: again President referred to the Duma’s crucial role in the process.

Analysts commented that presidential economic advisor Illarionov’s public resistance¹⁹ (in April he told reporters in St. Petersburg that the Kyoto Protocol can be called an international Auschwitz) might have been aimed at improving Russia’s bargaining position in its bid to join the World Trade Organization. In the following days, several EU ministers admitted they have given in to Russia’s position that the Kyoto Protocol is connected to other EU-Russia issues, although they denied any direct links²⁰.

Positive expectations regarding an imminent ratification were strengthened by the draft of the Russian government report to be submitted to the Prime Minister on May 20th. It said that Russia’s emissions would not exceed its Kyoto target in the first commitment period, that the Protocol would not be damaging to Russian economy, and might be potentially beneficial to the Russian energy sector. However, the day before, the Russian Academy of Sciences (RAN) issued a statement denouncing Kyoto Protocol as lacking scientific foundation and dangerous to National interests. Although the RAN had already expressed this opinion in 2003 and although the view of the mastermind behind the statement, academician Yuri Israel, has been known for a long time, it is difficult to ignore the RAN’s resolution since Putin has asked both the Academy and the Government to formulate their views.

One more controversial exchange, then, that follows one more prediction about ratification. The tenth Conference of the Parties (COP-10) to the UNFCCC will take place in Buenos Aires in December. A voice as influential as that of the head of the UN Environmental Program Klaus Töpfer stated twice in a week last June that Russia will formally announce its ratification during the summit. In the light of the latest treaty on WTO accession, many observers agree that ratification is closer than ever.

Nevertheless, Russian presidential economic advisor Andrei Illarionov continued its anti-Kyoto campaign in the beginning of July at a Moscow press conference, calling the Kyoto Protocol according to Interfax an "undeclared war against Russia"²¹. However, perhaps more importantly, he did no longer rule out the possibility that Russia will ratify: "If this decision is approved, it won't be on the basis of a substantial analysis, and not for substantial reasons, but for other reasons. We can't completely rule this out."

Indeed, after President Putin's promise to speed up the ratification process, the positive signs towards Kyoto multiplied. Indeed, the support for the ratification of the Kyoto Protocol seemed to be growing in Russia, and the signs were more positive than ever. In particular, Benedikt von Butler, the trading director for

¹⁸ Reported by *New York Times* in

<http://www.nytimes.com/2004/05/22/business/worldbusiness/22trad.html?th=&pageweb.htm>

¹⁹ Illarionov made a presentation at National Press Club, Washington DC, January 2004; see

<http://www.iccglobal.org/Slides/Illarionov%20Slides.PPT>

²⁰ Articles in <http://www.pointcarbon.com/article.php?articleID=3757>

²¹ <http://www.pointcarbon.com/article.php?articleID=4075&categoryID=147>

Evolution Markets in the US, called Mr Putin's statement the "kiss of life" for emissions trades (Wall Street Journal, June 2nd, 2004)²².

Still, the Kyoto opponents strengthened their efforts to stop the progress of these developments. This has been confirmed at the end of June by Russia's e-daily Ros Business Consulting (RBC) that stressed, based on statements of the local research group "Russia and Kyoto Protocol", that Russia can benefit from Kyoto only if it is guaranteed sales of 100-130 million tonnes of CO₂e at a price of no less than 40 dollars per tonne.²³

The subsequent period was characterized by intense internal debates on the weaknesses and strengths of the Kyoto Protocol, accumulating in negative signals observed by Reuters in the first week of September. According to a draft report, signed by the Russian Prime Minister Mikhail Fradkov and Energy Minister Viktor Khristenko, scepticism towards Kyoto has been revealed, claiming that it "is ineffective for resolving the main duty of the convention - stabilizing greenhouse gas concentration". However, the Russian Foreign Minister Sergei Lavrov stressed immediately that Russia still intended to approve the Kyoto Protocol, despite the official papers suggesting the Government was turning against it. Russian officials thus continued to be apparently split on the issue of Kyoto.

On September 22, the World Wildlife Fund (WWF) reported that the Russian President Putin has instructed key ministers to sign the Kyoto ratification documents. Although this has not immediately been confirmed by Russian government sources, in the days after this announcement the real movement in the Russian ratification process has been underpinned. Indeed, the issuing of ratification documents by the Kremlin has been confirmed as both the Russian Natural Resources Ministry Yury Trutnev and the Russian Economic Development and Trade Minister German Gref signed President Putin's package of ratification documents for the Kyoto Protocol.

As expected, Russia's anti-Kyoto lobby did not lose time to react to President Putin's obvious step towards ratifying the Kyoto Protocol. Putin's economic adviser Andrei Illarionov was quoted by *RIA Novosti* to compare the Protocol to "fascism"²⁴, while the head of the lobby group Russia and the Kyoto Protocol Anna Kashirova told journalists the decision to ratify had still not been made.

However, on September 28th, Russia's strongest Kyoto opponent, Andrei Illarionov, stated for the first time that he believes in Russia's close ratification. In particular, the *Moscow Times* quoted him saying that Russia will ratify due to a purely political calculation in a "gesture toward the European Union". Illarionov's statement has been interpreted as evidence for a near decision by Russian authorities.

²² Reported by Wall Street Journal on June 2nd, 2004, in <http://www.afr.com/articles/2004/06/01/1086058850473.html>

²³ According to an analyst of this group only guaranteed annual carbon sales of 5 billion USD over 10-12 years can justify Russia's accession to the Kyoto Protocol.

²⁴ <http://www.mosnews.com/money/2004/09/27/illarionovkyoto.shtml>

Indeed, the day after, numerous reports, all based on the Russian news agency Itar-Tass, strengthened the expectation that Russia was convinced that the correct political moment to ratify Kyoto has arrived. On September 30th 2004, the Russian government has approved the Kyoto Protocol on climate change and sent it to parliament for ratification.²⁵ The decision by the parliament, whose approval is necessary for the treaty's ratification, was expected to take place within the next weeks and was in general considered as a mere formality. In fact, after Russia's move has world-wide been welcomed as an important step in opening the way for the Kyoto Protocol's entry-into force, on October 12th President Putin unambiguously backed the Kyoto Protocol in his first public comments since his government sent it to the State Duma for ratification.²⁶ Following these developments, a key committee of the Russian State Duma recommended on October 14th to ratify the Kyoto Protocol on October 22nd.²⁷

On October 22nd, 2004, the State Duma of the Russian Federation endorsed ratification of the Kyoto Protocol by a vote of 334 to 74. As a next step in the ratification process, Russia's upper house of parliament, the Federation Council, ratified the Kyoto Protocol on October 27th by a vote of 139 to 1, and sent it to President Putin for final approval²⁸. On November 4th, President Putin signed a bill confirming Russia's ratification of the Kyoto Protocol, removing thus the last barrier for its entry into force as the ratification papers can now be sent to the United Nations²⁹. The Kyoto Protocol came into force on February 16th, 2005, 90 days after Russia's formal instrument of ratification has been deposited with the Secretary-General of the UN. The Protocol's entry into force made the emissions targets taken on for the 2008-2012 period by more than 30 developed countries, including the EU, Russia, Japan, Canada, New Zealand, Norway and Switzerland, legally binding.

3. ANALYSIS: INTERNAL FORCES

Since the statement of the then Prime Minister Kasyanov at the World Summit on Sustainable Development on September 3rd 2002, signals regarding Russian ratification of the Kyoto Protocol have been increasingly conflicting and nebulous. Some of the reasons undoubtedly lie in economics. In several occasions Putin has made it clear that Russia will make its decision based on Moscow's economic and foreign policy goals, and how they correspond to the "emission trading regime" allowed for in the Protocol. By creating a new market niche for emission trading, Russia will be able to gain from the surplus of emission rights that it is supposed to have under Kyoto's first reduction commitment period (2008-2012), due to post-Soviet industrial collapse. Besides selling its own reduction credits, as a signatory country, Russia will also be able

²⁵ See BBC News, *Russia backs Kyoto climate treaty*, September 30th, 2004. Downloaded at <http://news.bbc.co.uk/2/hi/europe/3702640.stm> on September 30th, 2004.

²⁶ Reported by Reuters, see <http://www.mosnews.com/news/2004/10/12/putinkyoto.shtml>

²⁷ <http://www.mosnews.com/money/2004/10/14/kyotodate.shtml>

²⁸ http://top.rbc.ru/english/index.shtml?news/english/2004/10/27/27143328_bod.shtml

to acquire “emission reduction units” by financing projects reducing greenhouse gas emissions in other developed countries through a mechanism known as “joint implementation”. On the contrary, opponents state that Russia will soon exceed its emissions limits, and will then have to introduce costly measures for emission reductions, stymieing its own GDP growth.

A further key factor in understanding the tortuousness of the process toward ratification are domestic pressures operating at various levels. Interactions among different Russian institutions, big business, non-governmental players, public opinion (although this may be disputable) need to be taken into consideration in order to gain a holistic picture. After having briefly examined the chronology of events, this paper moves to focus the way internal forces have impacted the course of the Russian adoption of the Protocol and continue to do so today.

3.1. Russian governmental authorities

3.1.1. Legislative branch

The Russian legislative branch is shaped by a bicameral Federal Assembly (or Federalnoye Sobraniye), which consists of the Federation Council (or Sovet Federatsii³⁰) and the State Duma (or Gosudarstvennaya Duma³¹). During last December’s lower chamber election, the relative majority of vote went to United Russia party (37,1%), granting this pro-Putin party 222 seats in the Parliament. This, together with the 71,2 percent of vote that Vladimir Putin obtained in the last presidential election (March 14th 2004), means that the ratification bill is virtually guaranteed a smooth passage through the Parliament. In fact, the recent approval of the treaty by the Duma meant that the final ratification by Putin would have simply been a matter of time.

While hearings on the ratification such as that of April 2004 may have enhanced the understanding of the issues involved within the Duma, their main role could have been to air different views on ratification to the outside world and establish the terms of the agreement. Bobo Lo, an eminent American scholar of Russian history, argues that such a tactic was used after September 11th, when Putin succeeded in positioning Russia as an ally for United States, while allowing the Duma to spell out what Russia expected in return³².

²⁹ Reported by Associate Press, see

http://hosted.ap.org/dynamic/stories/R/RUSSIA_KYOTO_PROTOCOL?SITE=WAOLY&SECTION=HOME&TEMPLATE=DEFAULT

³⁰ 178 seats; as of July 2000, members appointed by the top executive and legislative officials in each of the 89 federal administrative units - oblasts, krays, republics, autonomous okrugs and oblasts, and the federal cities of Moscow and Saint Petersburg; members serve four-year terms. This, like all the administrative information that follow, are available at <http://www.cia.gov/cia/publications/factbook/geos/rs.html>

³¹ 450 seats; 225 seats elected by proportional representation from party lists winning at least 5% of the vote, and 225 seats from single-member constituencies; members are elected by direct, popular vote to serve four-year terms

³² BO L., Vladimir Putin and the Evolution of Russian Foreign Policy, Chatham House Papers, Oxford, Blackwell, 2003

3.1.2. Executive branch

As shown above, controversial statements over ratification have been fed by apparent antagonism within and between governmental departments. Although a public show of debate between different officials is normal, the different positions reflected by the press have been interpreted as a reflection of the embedded interest of departments and individuals³³. Maybe the brightest example of this conflict emerged in early 2003: the Minister of Economic Development and Trade (MEDT) sent the Prime Minister Khristenko papers and proposals regarding ratification twice between January and March, including very skeptical views on Kyoto, but in both cases Khristenko asked to improve the submission. It has been argued that MEDT represented the most serious opposition to ratification, being the Ministry officially nominated to lead the ratification process. “MEDT was an early supporter of ratification but turned against it in early 2002 as it became clear that major emissions reductions projects would go to the Ministry of Energy [...] After pressure from the President’s Office last year, MEDT toed the official line and Muhamed Tsikanov has been the forefront of highlighting that the decision on ratification is still to be made”³⁴.

Relationships between departments on climatic matters are supposed to be regulated by the Interagency Commission of the Russian Federation on Climate Change Problems. The Russian government in 1994 established the commission to coordinate all activities related to the development of climate change policies. Its decisions are not legally binding, and it cannot mandate ministries to implement any climate change policies³⁵. The Commission is an advisory body, while the final decisions about climate change policies rest in President Putin’s hands. In 1999 the government issued a decree revising the composition of the Commission. It now has 32 members from various ministries, research institutes, as well as two representatives from Russia’s biggest natural monopolies (Gazprom and the Unified Electric Power Systems of Russia – RAO EES) which dominate the Russian energy sector. The federal agencies that play the largest role in the commission and in implementing climate change policies are Hydromet, which leads the Commission, and the Ministry of Economy and the Ministry of Energy. Each agency sends representatives to international climate change negotiations, with the delegation headed by Hydromet.

Until it was disbanded by a presidential decree, the Russian State Committee for Environmental Protection, Goscomecologia, participated in the Commission. Some of Goscomecologia’s functions were transferred to the Ministry of Natural Resources, which does not take an active role in climate change. This institutional change weakened the Commission and coordination of climate change policies in Russia because Goscomecologia was actively involved in conducting inventories and had knowledgeable experts on international climate change negotiations. Goscomecologia had branches in all regions and was responsible for collecting information about air pollution from industrial facilities.

³³ <http://www.riia.org/pdf/research/sdp/JKMar04.pdf>

³⁴ KARAS J., *Russia and the Kyoto Protocol: Political Challenges*, in <http://www.riia.org/pdf/research/sdp/JKMar04.pdf>

³⁵ PNNL (Pacific Northwest National Laboratory), “Climate Change Policy and Programs in Russia: An Institutional Assessment”, available on the Internet in www.pnl.gov/aisu/pubs

The interagency status of the commission limits its role to designing climate change mitigation programs and coordinating work among the participating agencies. For example, several ministries simultaneously work on programs such as joint implementation and monitoring. The commission made suggestions about dividing work on the UNFCCC and the Kyoto Protocol, but a formal decision about this has not been made so far. Jurisdictional issues occasionally arise on who should be responsible for implementing flexible mechanisms. Representatives from the Ministry for Energy and the Ministry for Economics consider their agencies to be responsible for issuing permits in a domestic or international system³⁶.

The Commission has not formally met for several years, even though all international climate change documents require its approval. In reality, the Commission functions as a part of Hydromet, which is ineffective because Hydromet has no responsibility for the economy or for the energy sector³⁷. Leading Hydromet figures are known to oppose Kyoto and even to have concluded that climate change would be beneficial to Russia.

In spite of the fact that the effects on the Kyoto Protocol are not yet apparent, the reform of the government's departmental structures carried through by the President Putin on March 9th 2004 might have opened new possibilities. All former ministerial structures have been divided into three groups. In the first group are federal ministries that have passed to the direct jurisdiction of the president as head of the executive branch of government: the Ministry of Foreign Affairs, the Ministry of Justice, the Ministry of Defense, the Ministry of the Interior, and the Ministry for Emergency Situations. Another nine federal ministries are under the prime minister's jurisdiction: the Ministry of Finance, the Ministry of Health and Social Development, the Ministry of Economic Development and Trade, the Ministry of Culture and Information, the Ministry of Natural Resources, the Ministry of Agriculture, the Ministry of Education and Science, the Ministry of Industry and Energy, and the Ministry of Transportation and Communications. However, all their activities are the reserve of the federal ministries' staff headed by Dmitry Kozak. Under the Deputy Prime Minister Aleksandr Zhukov the ministries will be totally different from those under his predecessor Mikhail Kasyanov. They will be responsible for issuing resolutions and orders on jurisdictional questions. However, they no longer have the right to make specific decisions, e.g., on issuing a license for a particular type of activity.

We will not question Vladimir Putin's desire to make executive power in Russia more effective. Nevertheless, the fact that the government was reorganized a week before the presidential elections and the very strange circumstances of Mikhail Kasyanov's dismissal suggest that what happened was less an action of the president than part of a presidential candidate's election campaign. The campaign itself, whose results at the time this issue of *Dengi* appeared in print will be better known to readers than to the author, was unusual. For the first time in Russia's history, the country's population was not voting for the head of state, who will

³⁶ *Ibidem*

³⁷ <http://www.pnl.gov/aisu/pubs/ruskyoto.pdf>

probably be Vladimir Putin by a wide margin, but for the people he believes will bring him absolute victory [...]. It looks as if the structural reform of the government that president and presidential candidate Vladimir Putin put into effect several days before the elections was not just a preelection ploy. To all appearances, a real administrative revolution took place in the country. At the same time, the government's effectiveness in its new form will show whether Russia needs a presidential regime with unlimited powers. However, having become a real rival for presidential power, the new government has signed its own death warrant³⁸.

Although so far it is not clear what was the impact of this reform on the ratification process, it could be argued that it determined a more coherent approach to the issue.

3.1.3. Administrative divisions

The new Russian Constitution (which came into force on 12th December 1993) established considerable powers for the federal executive and left the division of powers between centre and periphery purposefully ambiguous. Soon after the referendum that narrowly ratified his Constitution, Russia's first president Boris Yeltsin launched a trend that patently contradicted the official paper just signed.

Signing treaties (*dogovory*) and agreements (*soglasheniya*) with the executive heads of ethnic republics (and soon after with oblasts and krais), Yeltsin eroded the legal equality his Constitution proclaimed for different levels of centre-periphery relations. Savvy regional negotiators won budget privileges, powers of appointment, exemption from various federal requirements, and a tacit understanding that federal officials – at least for the time being – would look away from glaring violations of the federal Constitution and basic democratic principles³⁹.

Yeltsin's treaties were never ratified by legislatures; their ambiguous enforceability was made clear by the new president Putin, who showed clear disregard for executive promises that no longer suited his interests. One of Putin's first presidential decrees, signed days after his inauguration, divided Russia into seven federal districts, each encompassing 49 *oblast*, 21 republics, 10 *okrug*, (each headed by a presidential enforcer tasked to maintain the supremacy of federal law), 6 *krai*, 2 federal cities and 1 autonomous *oblast*. Putin described his project as the "dictatorship of law"⁴⁰.

³⁸ BUTRIN D., "Managerial, Effective and Deadly", in *Kommersant*, 15 March 2004, available on the Internet at <http://www.kommersant.com/page.asp?id=457343>

³⁹ KAHN J., "What is the New Russian Federalism?", in BROWN A., *Contemporary Russian Politics*, Oxford, Oxford University Press, 2001, 374

⁴⁰ *Ibidem*

The management of natural resources and the environment falls under Article 72 of the Russian Constitution, and hence under the joint jurisdiction of federal and regional authorities. According to Article 76 of the Constitution, federal law has priority over regional law in areas of joint jurisdiction, but the regional authorities nevertheless enjoy considerable room for manoeuvre. “First, federal legislation is still poorly developed, and it becomes difficult for federal authorities to change a practice that for years has been followed in accordance with regional legislation. Second, there is an almost unlimited number of approaches to an area of law, and Article 76 refers only to instances of direct contradiction between legislation of the two levels”⁴¹. In addition to this is the fact that individual bilateral agreements have again come to fill the legal vacuum between the federal centre and more than half of the subjects of the Russian Federation.

Given this context, it is not surprising that regional support and cooperation are crucial to the implementation of the Kyoto Protocol. In fact, not only do regions account for a significant share of greenhouse gas emissions and are thus candidates for potential projects, but they also have an important role in GHG inventories and data collection. Regional emission data was reported to be compatible with state level data and Russian experts emphasized that the Kyoto mechanisms could provide a useful tool for companies in the regions to attract modern environmental technology⁴². As seen above, in June 2003, the working group of the Presidium of State Council of the Russian Federation, which gathers the governors of the country’s 89 regions, backed Russia’s ratification of the treaty by that September. Despite this positive result, levels of support vary across Russia.

A recent WWF survey shows a strong support for ratification in Volga, Ural and the Northwest, moderate support in Siberia and Central provinces and minor support or low awareness in the South and Far East⁴³. According to International Herald Tribune, three-quarters of regional governors are in favour of Kyoto and are competing to bring European investors to their regions⁴⁴. Some Russian regions have been actively preparing their participation in the Kyoto activities. For instance in the Arkhangelsk region in North-West Russia the regional administration has been cooperating with energy saving and environmental investment agencies in order to improve the attractiveness of implementing Kyoto mechanisms in the region. Arkhangelsk region is currently importing coal and oil products for its energy-intensive wood processing and pulp and paper industries from other regions. Therefore, the Kyoto-related focus areas of Arkhangelsk have much potential for energy saving and renewable energy⁴⁵. The cooperation between regional administration and environmental agencies has initiated a regional GHG inventory and spread information about the Kyoto process to the local industrial actors.

⁴¹ HØNNELAND G. – JØRGENSEN A-K., “Implementing Russia’s International Environmental Commitments: Federal Prerogative or Regional Concern?”, in *Europe-Asia Studies*, 54 (2002) 8, 1227

⁴² KORPPOO A., *Implementing Kyoto in Russia and CIS: Moving from theory to Practice*. Workshop report Higher School of Economics, Moscow, 2003, in <http://www.climate-strategies.org/rw03wsreportlong.doc>

⁴³ Quoted in KARAS J., *Russia and the Kyoto Protocol: Political Challenges*

⁴⁴ KOKORIN A. – RUTLAND P., “Russia needs the Kyoto treaty”, in *International Herald Tribune*, 28 October 2003, on the Internet at http://www.iht.com/cgi-bin/generic.cgi?tempate=article_print.tmplh&ArticleId=115242

A potential source of controversy is that of property rights, which the federal government regards as its prerogative, while the regions believe that they should belong to them. This line of conflict runs between the federal and the regional levels in general, especially after the introduction of various measures that may curb governors and the regional Duma's authority.

While lying outside this work's aims, it could be argued that these sets of questions, and other potential conflicts, reflect the general picture of the Russian political institutions. Arisen as a result of the political struggle, the Russian presidential system has been defined "a response to the legacy of the Communist Party [...]; the presidency was a completely new institution in Russia's political tradition, but still [...] it led back to the autocratic tradition"⁴⁶. The nature of political power in Russia, "which is democratic in its form and authoritarian in its essence, is never strong"⁴⁷: Parliament legislates, but the president can rule by decree in areas where the law is silent. The president can veto acts of parliament; the parliament can stymie presidential decrees by passing laws which oppose it, and if the president vetoes such a law, a two-thirds majority of both legislative chambers can override this veto. Although the 178-member Federation Council expressly represents regional interests, the president can unilaterally overturn regional acts and laws in his role as "protector of the constitution"⁴⁸.

Several of these lines of conflict come into play in the Kyoto Protocol implementation process. Moreover, according to two scholars who studied national-level political processes following international environmental agreements, there is one more actor to be taken into consideration: industry enterprises. "As the Soviet system for implementation of the country's international environmental obligations (led by the interdepartmental commission) disintegrated, as the federal environmental agency gradually lost its authority [see par. 2], and as the public authorities increasingly lost control of industry enterprises, the enterprises themselves became more important actors in the Russian implementation game"⁴⁹.

3.2. Energy Producers

In 2003, Russia's real gross domestic product (GDP) grew by 7.3%, surpassing average growth rates in all other G8 countries, and marking the country's fifth consecutive year of economic expansion. Russia's economic growth over the last five years has been sustained primarily by energy exports, particularly given the boom in Russian oil production and relatively high world oil prices during this period. But this type of growth has made the Russian economy dangerously dependent on oil and natural gas exports, and especially vulnerable to fluctuations in world oil prices.

⁴⁵ KORPPOO A., *Implementing Kyoto in Russia and CIS: Moving from theory to Practice*

⁴⁶ KLYAMIN I. – SHEVTOVA L., "The Tactical Origins of Russia's New Political Institutions", in BROWN A., *Contemporary Russian Politics*

⁴⁷ SIMONIA N., "Economic Interests and Political Power in Post-Soviet Russia", in BROWN A., *Contemporary Russian Politics*

⁴⁸ See ORDESHOOK P.C., "Re-examining Russia: Institutions and Incentives", in BROWN A., *Contemporary Russian Politics*

The Russian government has made multiplying economic growth from commodity exports a priority, and is attempting to restructure and liberalize its energy sector. These reforms have come at the behest of both Russian oil and natural gas producers, who are seeking to grow in a more liberalized marketplace. Russia's external trading partners are also pressuring the country to synchronize their policies with those in Western Europe and North America, particularly vis-a-vis Russia's aspiration towards the World Trade Organization (WTO). Breaking up the monopolies that control the natural gas and electricity industries would be the key factor.

In the meantime, however, the Kremlin has shown a tendency to advance the state's influence in the energy sector, not to reduce it. In spite of its break-up during the 1990s, in fact, the energy industry as a whole remains State dominated.

Over the past six months, the Russian Energy Ministry (now known as the Ministry of Industry and Energy) has been streamlined and empowered; taxes on oil exports have been raised significantly (effective August 1, 2004); state-owned export facilities have grown at breakneck pace while private projects have progressed more slowly or faltered (see Oil Exports); and leading industry figures have come under criminal investigation at the behest of Russia's Procuracy General (see Oil Industry Structure). While acknowledging Russia's changing regulatory environment, as well as the oil and gas sectors' important role in economic development, President Vladimir Putin said on December 23, 2003, "The fuel and energy sector, overall, is the goose that lays the golden egg. Killing the goose would be insane, stupid and unacceptable." Having secured overwhelming victories in both Parliamentary elections (December 2003) and Presidential elections (March 2004), President Putin is expected to re-organize his country's domestic energy industry in his second term, while simultaneously working towards his pledge to double the country's GDP within 10 years⁵⁰.

Beginning in 1993, the oil sector was gradually carved up and partially privatized, starting with the creation of a Russian State oil company, Rosneft. A series of vertically integrated oil companies were then established combining oil exploration, production, refining, distribution and retailing. The first of these were LUKoil, Yukos, and Surgutneftegaz. The decade was marked by the rise of new Russian oil barons or "oligarchs," such as Mikhail Khodorkovsky of Yukos. They used capital from private banks, close political connections to the Russian government, and financial support to former President Boris Yeltsin in his presidential campaign to secure title to the crown jewels of Russian energy assets. Instead of investing in

⁴⁹ HØNNELAND G. – JØRGENSEN A-K., "Implementing Russia's International Environmental Commitments, 1233

⁵⁰ Quoted from US Energy Information Administration, in <http://www.eia.doe.gov/emeu/cabs/russia.html>

their new holdings in Russia, energy oligarchs focused on developing new ways of evading taxes, stripping cash from assets, moving cash offshore, and eviscerating minority shareholders rights⁵¹.

Nowadays, the government maintains majority control over Rosneft (100%) and Slavneft (50%, with a Russia's close ally owning the other 50%). It has a significant stake in the Eastern Oil Co. (37%) as well as in LUKoil (14%). However, individual companies have very different relations with the State that do not always reflect the State's share in the enterprise⁵². In April 2003, Yukos and Sibneft (the fourth biggest Russian oil company) announced merger plans to create what would have been Russia's largest oil company, YukosSibneft. However, investigations into Yukos by Russia's Procuracy General resulted in the arrests of key figures in Yukos ownership, including Platon Lebedev (July 2003) and company head Mikhail Khodorkovsky (October 2003), and the seizure of roughly one-half of the company's shares. In November 2003, representatives from Sibneft suspended the merger and the protocol for de-merging was signed in February 2004. In June 2004, Khodorkovsky appeared in court in Moscow, charged of tax evasion, fraud and embezzlement. During the trial, Yukos saw its shares plunge 12 percent on the Moscow stock exchange.

Khodorkovsky's trial occurs at a time when the Russian authorities, under President Putin's seemingly benign concept of "guided democracy"⁵³, are exhibiting extraordinary determination to re-establish control over numerous spheres of public life, business being just one of them. Before his arrest last year, Khodorkovsky funded opposition political parties and expressed a desire to run for office in the future. CNN quoted Russian President Vladimir Putin defining the case as part of his "crackdown on corruption"⁵⁴ and denies any political motives. Khodorkovsky's supporters say the trial is part of a Kremlin effort to halt the former oilman's political aspirations and to send a message to other "oligarchs" to tow the line.

The Russian gas industry is dominated by Gazprom, the state-run natural gas monopoly. Single-handedly, Gazprom holds 25% of world gas reserves and controls 90% of Russian gas output. It is Russia's largest earner of hard currency (with 60% of these earnings generated through sales to Europe). Its payments account for around 20% of federal budget tax revenues⁵⁵. However, unlike the Russian oil industry,

⁵¹ See PEREGUDOV S., "The Oligarchical Model of Russian Corporatism", in BROWN A., *Contemporary Russian Politics*

⁵² According to a paper published by the Brookings Institution, Washington DC, "some companies take their direction from the State, such as Zarubezneft, which functions more or less as an arm of the Russian Foreign Ministry. Others, like Rosneft and Slavnet, in spite of their majority State-ownership try to straddle political and commercial imperatives by fighting continuous battles with the government bureaucracy to operate as independently as possible but still access

investment capital from State sources. While other private companies, such as YUKOS and LUKoil, with commercial market-driven business investment strategies, continue to be strongly influenced by the State". In HILL F. – FEE F., "Fueling the Future: The Prospects for Russian Oil and Gas", in *Demokratizatsiya*, 10 (2002)4, available on the Internet at http://www.brook.edu/dybdocroot/views/papers/hillf/200205_demokratizatsiya.pdf

⁵³ See CHIRIKOVA A. – LAPINA N., "Political Power and Political Stability in the Russian Regions", in BROWN A., *Contemporary Russian Politics*

⁵⁴ <http://edition.cnn.com/2004/WORLD/europe/06/16/russia.yukos/>

⁵⁵ Wide section on Gazprom in International Energy Agency, *Russian Energy Survey 2002*, available on the Internet at <http://www.iea.org/dbtw-wpd/Textbase/nppdf/stud/02/russia2002.pdf>

Russia's natural gas industry has not been booming. Both production and consumption have remained relatively flat since independence. Growth of Russia's natural gas sector has been stunted primarily due to ageing fields, state regulation, insufficient export pipelines, and Gazprom's monopolistic control over the industry.

Because exported Russian natural gas accounts for approximately 25% of Europe's demand for natural gas, as Gazprom's trade relationship with European consumers grows, contentious issues have arisen. European trade representatives have denounced Gazprom's monopolistic market position and two-tiered pricing system and have linked the pricing issue to Russia's ascension to the World Trade Organization (WTO). The Russian government has recognized this problem and has been gradually increasing the price for natural gas domestically.

Although the Russian State's stake in Gazprom is technically only 38%, the government is the largest shareholder in the company and Gazprom is also one of Moscow's main foreign policy tools. The close linkages between the Russian government and the company are considered clear by Russian political commentators⁵⁶.

As with similar patterns in oil and natural gas, Russia's power sector was stunted by the economic slowdown which followed the collapse of the Soviet Union. Since then, electricity generation has shown both a dramatic decline (down 18% between 1992 and 1999), and a gradual recovery (up 8% between 1999 and 2002). A 1992 Presidential decree restructured the sector into a single joint-stock company, RAO UES (Unified Energy Sector), and established the company Rosenergoatom to operate all nuclear power stations. The company, headed by former privatisation minister Anatoly Chubais, controls approximately 70% of the country's distribution system and oversees Russia's 72 regional electricity companies, called Energos. Most electricity-industry activities continue to be vertically integrated within UES.

Russia's electricity sector, however, is currently in a transitional period. The federal government is the company's principal shareholder: at the end of 2002 it held 52.6%⁵⁷. It has made hydroelectric generation a priority, particularly in the country's Far East, where electricity supply can be problematic. In March 2003, Russian President Vladimir Putin signed six bills into law which aim to substantially reform the industry. According to the reform package, UES should be liquidated beginning in 2006. UES's generation and distribution facilities are expected to be privatised, while the country's transmission grid will remain under state control.

Some observers claim that one of the most relevant effects of the massive re-organisation of UES is that on the Kyoto Protocol ratification process. Thermal power (oil, gas, coal) accounts for roughly 63% of Russia's

⁵⁶ For example, in 2001 Gazprom's Chairman Rem Vyakhirev was suspected of transferring funds and assets to Gazprom insiders. The government's offensive passed through the Gazprom Board members, led by former Deputy Russian Prime Minister and Finance Minister Boris Fedorov. In a surprise move spearheaded by the Russian President in May 2001, Vtakhiev was replaced by Alexei Miller, a young outsider to the gas industry whose candidature was backed by Putin. See HILL F. – FEE F., "Fueling the Future: The Prospects for Russian Oil and Gas"

⁵⁷ See International Energy Agency, *Russian Energy Survey 2002*

electricity generation, followed by hydropower (21%) and nuclear (16%)⁵⁸. It is not surprising, then, that UES alone produces 2% of the world's greenhouse gases. According to Igor Leshukov, director of the Institute for International Affairs in St. Petersburg, "when it's clear who is will get what out of electricity privatisation, then we'll see ratification of Kyoto [by Russia]"⁵⁹. Carbon Energy Fund, a non-profit organisation established by UES to handle the Kyoto implementation, stated that, should the treaty be ratified, UES alone could expect to pocket between 500 million and 800 million euros in modernisation deals over the next eight years.

Russian companies have also submitted several JI projects under the Netherland's ERUPT 3 programme⁶⁰. In 2003, the Dutch government proposed UES to fund the modernisation of a power plant in Amursk, Khabarovsk region, as an investment in a joint implementation project. The Russian authorities, however, did not give their approval, leaving UES out of a 10 million euros deal and with an antiquated power plant. The lack of the necessary Letter of Approval from the Russian government may be indicative of Russian caution over signing anything that could be regarded as a political commitment to deliver ratification, but it may also reflect government resistance to business JI initiatives at this stage.

UES is not the only Russian business that supports the Kyoto ratification. Companies such as Gazprom and LUKoil, which, as told below, have partnerships with European energy firms, are also keen to maintain a "green" image. Overall, business is trying to move the debate away from politics toward practical implementation⁶¹. In 2003, for instance, Gazprom already had a JI pilot project with the German Ruhrgas, aimed at converting an old coal power station to gas. It was turned down as it was not accompanied by the Letter of Approval from the government⁶².

Taking into consideration the energy sector opens a new perspective on the Kyoto Protocol process of ratification. The past government's stalling seems to be consistent with the analysed Kremlin pattern in reforming the energy industry and clenching governmental control over numerous spheres of public life. The treaty's potential benefits to the Russian energy sector could be so large that the Kyoto Protocol is likely to be seen by the federal government as a tool which may further empower business. Putin seems to be aware of the political influence of big business and then actively seeking to keep it under the government's control.

⁵⁸ See <http://www.eia.doe.gov/emeu/cabs/russia.html>

⁵⁹ Quoted by *The Moscow Times*, in <http://www.themoscowtimes.com/stories/2004/06/09/002-print.html>

⁶⁰ The Emission Reduction Unit Procurement Tender (ERUPT) is mandated by the Netherlands Ministry of Economic Affairs as an instrument for the Dutch government to buy carbon credits for joint implementation credits.

⁶¹ In this sense, a relevant initiative is the National Carbon Union, a non-commercial partnership of the largest Russian corporations, responsible for a significant part of industrial greenhouse gas emissions in Russia and realising investment opportunities of practical using of the Kyoto protocol to attract investments in modernisation of Russian industrial complexes projects. The partnership is interested in implementing of UNFCCC regulations, using the Kyoto Protocol mechanisms with the purpose to decrease harmful anthropogenous influence on the environment and the planet climate and organising of an international cooperation in realisation of large-scale investments projects in Russia

3.3. Environmental NGOs

As the largest country on Earth, Russia accounts for more than 10% of the world's total land area, and is richly endowed with energy, mineral, water and forest resources. However Russia is still paying the legacy of cross-border contamination from the Chernobyl accident in the Ukraine. They also have plans to earn hard currency by importing nuclear waste from other countries (which will sum to the wastes from the military complex and the country's own 30 operating commercial reactors) and continue to possess an abundance of pollution from what are now outdated industrial enterprises that lack the funds to clean up. Finally, as it has been said above, on the climate change front Russia is the second or third largest emitter of greenhouse gases, although it also is a large potential long-term "carbon sink" because of its vast forest reserves.

Since the early 1990s, western institutions have provided more than 1 billion dollars of environmental assistance to Russia for equipment, training, development of non-governmental organizations and technical analyses. A 1999 survey conducted by Civil Society International and the Johns Hopkins Institute listed 157 environmental organizations operating in the Russian Federation⁶³ on different fronts, domestic and international. Several NGOs focus on internal environmental concerns: nuclear contamination, soil erosion, rapid land conversion, air and water pollution⁶⁴.

As for the international commitment, WWF Russia is one of the Russian largest independent conservation organization involved in global projects, and one of the most active supporters of the Kyoto Protocol. Through its press office⁶⁵ and the statements and reports of its authoritative coordinator of the Russian Climate Program, Alexey Kokorin, reported by national and international media, WWF plays a crucial role in coordinating the environmental pro-Kyoto pressure.

In a brochure that first appeared in April 2003, the WWF analysed the framework of the preparation process of ratification and discussed information and facts commonly associated with the Protocol. A few months later, the first brochure was followed by a second edition, which reiterated the arguments put forward in the previous edition and contained answers to many more recent questions⁶⁶. This document represents one of the most well documented and methodical works presented by an NGO on the Kyoto

⁶² See KARAS J., *Russia and the Kyoto Protocol: Political Challenges*

⁶³ CCSI – CENTRAL ASIA-CAUCASUS INSTITUTE OF JOHNS HOPKINS UNIVERSITY, *Civil Society in Central Asia*, Seattle and London, University of Washington Press, 1999

⁶⁴ OECD data from the late 1990s indicate that more than 90 cities had annual concentrations of particulate matter and nitrogen dioxide that exceeded World Health Organization standards; heavy metals, hydrocarbons and organic chemicals from industrial activity contaminated more than 2 million hectares of soil. Data reported in WERNSTEDT K., *Environmental Management in the Russian Federation: a Next Generation Enigma*, Resources for the Future (Washington DC) Discussion Paper 02-04, January 2002, p. 3

⁶⁵ www.wwf.ru

⁶⁶ The brochure was prepared through the joint cooperation of the Russian Regional Environmental Center (established by the European Commission and the Academy of Civil Service under the auspices of the President of Russian Federation), the World Wide Fund for Nature and National Carbon Union: BERDIN V. – VASILIEV S. – DANILOV-DANILYAN – KOKORIN A. – KURAEV S., *The Kyoto Protocol*, Moscow, 2003, 2nd edition., available at www.wwf.ru/resources/pub/book/eng/59/

Protocol. It can thus be an interesting reference in order to define the environmentalist position on the matter. A quotation from the brochure summarizes the WWF position on the ratification process:

Russia may benefit from implementation of the Kyoto Protocol, but Russia needs to ratify the Protocol in the first place. If Russia fails to do so, it will lose any subsequent benefits and its positive reputation in the international political arena. Russia will also suffer a negative reaction from potential investors, while its economic competitors will get a competitive advantage. Russia will lose a lot of available foreign investment opportunities.

At the same time, the benefits of the Kyoto Protocol will not accrue automatically. Active measures will be needed, such as development and implementation of a strong national policy and implementation program, as well as optimal utilization of flexibility mechanism provided by the Protocol. Russia will need to conduct an active international and domestic policy of industrial restructuring⁶⁷.

A desire for a better environment is widely supported in abstract. In a survey in Russia between 1993 and 2001, respondents were asked questions that were likely to be of real significance to individuals and were intended to estimate their willingness to trade-off the environment against specific material outcomes⁶⁸. The first question asked people to decide whether they valued job security even if it meant continuing pollution – a potentially important issue at a time when unemployment was increasing. The second question asked respondents whether they would be willing to support environmental policies even if this led to falling living standards, again a relevant concern when living standards were falling.

The results show considerable differences of opinion across respondents. What is notable in general, however, is the extent of support for environmental protection even given the relevant costs that respondents were asked to take into account. Taking all the surveys together, no more than 47% of the respondents answered that it was important to preserve people's job even if it meant keeping polluting enterprises open. And fully 65% disagreed with the proposition that people should have higher incomes even if this resulted in damage to the environment.

The survey's results account for a country that believes that pollution exists and could be a problem. However, although the environment has long been an area of permissible dissent, according to a WWF Russia analysis the wider public is generally more concerned with domestic problems than international affairs⁶⁹. Environmental policymaking appears fragmented and, as it has been shown in the previous pages, many of the institutions responsible for it are unstable. Russian NGOs may have a particularly prominent role in the reconnection of the public interest in sustainable development to government priorities for environmental protection.

⁶⁷ *Ibidem* p. 15

⁶⁸ WHITEFIELD S., "Russian mass attitudes towards the environment", in *Post Soviet Affairs*, 19 (2003) 2

However, Russian NGOs who work on environmental issues have traditionally been distant from the public and the communities in which they work. The leaders and members of these NGOs are often scientists, technical experts, and other professionals who tend to value their links to the scientific community, but who may not be inclined to consult "ordinary citizens." Indeed, a 2002 survey of Russian environmental NGOs found that 70 percent of these groups routinely consult with scientists to advance their work, while only 30 percent routinely seek involvement from the public⁷⁰.

The survey also found that most environmental NGOs do not work with other Russian or international NGOs on a regular basis. They consult even less frequently with anyone in local government. Weakest of all is their relationship with the private sector. Ninety-two percent of NGOs surveyed reported working with business or industry only "occasionally" or "never". The absence of close working relations with these groups means that Russian environmental NGOs often lack an effective entry point to decision-making⁷¹.

The problem of civic disengagement goes beyond the NGO community. Many Russian citizens do not actively seek to participate in environmental NGOs or in the political process. This is not due to any legal constraint on public participation. Russians have a constitutional and statutory right to participate in public decision-making and to give their input on environmental matters. Yet, a recent poll indicates that only 5 percent of Russians currently participate in public organizations and nearly 75 percent say they have no interest in doing so⁷².

These results point to the difficulty of building coalitions for action around environmental problems in Russia today. The only exception is related with the public concern about the role of the environment in health issues. Nearly 60 percent of 3,300 Russians surveyed in 2000 reported that they believed the environment caused or contributed to chronic illnesses in their family⁷³. If it can be tapped, this concern may offer a viable path to public engagement.

Russian NGOs are clearly starting to understand the need to involve the public in their work. More than 40 percent of environmental NGOs now rank "increased public involvement" as a top priority for improving environmental policies⁷⁴. This means facing the challenge of attracting public attention, exploiting the most efficient means for this goal. Green organizations are thus forced to fight on one of the bloodiest battlefields of our times: the media.

⁶⁹ KOKORIN A., *WWF Russia analysis*, presented to side event at UNFCCC COP 9, Milan, December 2003, quoted in KARAS J., *Russia and the Kyoto Protocol: Political Challenges*

⁷⁰ WERNSTEDT K., *Environmental Management in the Russian Federation*, p. 31

⁷¹ *Ibidem*, p. 19

⁷² *Ibidem*, pp. 24-25

⁷³ *Ibidem*, pp. 3-4

⁷⁴ *Ibidem*, p. 29

3.4. News Media

Providing a common arena for the different protagonists to face and challenge each other, the media contribute to and complete the framework of the internal forces interacting in the Kyoto Protocol process. Understanding the press coverage of the ratification issues, however, requires a wider glance at the Russian media sector. Its position between state and market makes it an extremely peculiar system.

3.4.1. Russian media between state and market

For much of the 1990s, the development of independent media was considered a clear success of the Russian political transformation. The 1990 Law on the Press laid the legal foundation for the creation of print outlets independent from the state. The end of the state monopoly on media ownership gave journalists unprecedented freedom to criticise the authorities. A survey conducted in 1990 by the Commission for Freedom of Access to Information, a Russian NGO, showed that 70% of respondents relied on media reports⁷⁵. New print and electronic media sprang up. While often led by brilliant and charismatic personalities, these “editorial collectives of journalists” lacked capable business managers.

As economic conditions worsened, journalists realized that the easiest way out of a difficult financial situation was either to seek government subsidies or look for investors among emerging businesses. The latter solution was preferred, and became increasingly popular in Moscow. The first business tycoons were indeed figuring out the political importance of the media for their interests.

The main tool of influence in a country as vast as Russia is of course television. At the end of 1993, the two channels with nation-wide reach, Channel One (Ostankino) and Channel Two (Russian Television) were both owned and managed by the state. In 1995, the Kremlin resolved to allow the privatisation of Channel One. The state maintained control over the newly created Public Russian Television (ORT) through various Russian agencies that held 51% of its shares; a consortium of banks and emerging industrial groups held the remaining 49%. Boris Berezovsky was the man behind the consortium and the ORT’s largest single shareholder. He was a Kremlin insider and head of LogoVAZ, an industrial conglomerate based on a car dealership. Berezovsky, and his fellow media magnate Vladimir Gusinsky, were the first to understand the importance of media ownership to protect their other financial interests.

A turning-point for the Moscow-based media was marked by the 1996 presidential election. Yeltsin’s candidacy appeared hopeless just six months before the election. The threat represented by the election victory of a Communist candidate, Gennadi Zyuganov, made it possible for privately owned media to join state-controlled outlets in supporting the re-election efforts of President Yeltsin. As Laura Belin argues,

⁷⁵ Quoted in FOSSATO F., “The Russian Media: From Popularity to Distrust”, in *Current History*, 100 (2001) 648

“even though no experimental data have proved that media coverage was the decisive factor in the 1996 election, it is an axiom in Russia that Yeltsin would not have won without the media’s support⁷⁶.”

Yeltsin’s re-election encouraged other financial and industrial groups to expand their media holdings. By the end of Yeltsin’s second presidential term (1999), Berezovsky’s media empire included control over television channels ORT and TV-6, 3 newspapers, including the relevant *Kommersant*, a number of weekly political, business and entertainment magazines. Announcing the creation of Gazprom Media in 1997, the gas monopoly Gazprom, which had provided informal financial support to some newspapers in the early 1990s, began to acquire shares in various print and electronic media. Gazprom also had a 30% stake in Russia’s main private television channel, NTV⁷⁷.

Gusinsky’s television channel NTV emerged in 1993 and led to the creation of his MediaMOST holding. NTV was the only private television network to obtain a virtually nation-wide broadcast reach and widespread popularity. The rapid rise of Gusinsky’s media empire and its equally rapid decline in 2000 and 2001 provide a vivid description of the close relationship between media and political power. Interactions between the two are crucial in understanding the role of the media in the Kyoto’s ratification process.

Strengthening political connections with the Kremlin and Moscow authorities at first guaranteed NTV a number of tax breaks and customs duty exemptions on imported equipment. The 1996 presidential race provided more benefits: Yeltsin’s re-election brought his backers a payoff. While Berezovsky was appointed secretary of the presidential Security Council, NTV was granted the right to broadcast nationwide and 24 hours a day. According to Fossato, “this moment marked the NTV’s triumph. Gusinsky consolidated his information business through his MediaMOST holding, including new publications and radio and television ventures in the regions, as well as a satellite project that, in Gusinsky’s view, would ensure his independence from the state. Meanwhile, Gusinsky’s top managers continued their cooperation with the Kremlin, making it possible to obtain guarantees from Gazprom and other state agencies for multimillion-dollar credits⁷⁸”.

In 1997 and 1998, Russian society witnessed several rounds of so-called information wars, when some of the leading oligarchs fought among themselves for the right to impose their personal views on future business and political developments. The Kremlin’s 2000 presidential campaign was aimed at ensuring the election of a successor of its choice. NTV and other MediaMOST outlets were desirable allies, but agreement on a single candidate to support clearly was impossible this time. Gusinsky refused to back Prime Minister Vladimir Putin and supported instead Moscow Mayor Yuri Luzhkov (who was involved in media market, as TV-Tsentr owner). NTV reports on the military campaign in Chechnya often featured

⁷⁶ BELIN L., “Political Bias and Self-Censorship in the Russian Media”, in BROWN A., *Contemporary Russian Politics*, p. 325

⁷⁷ See <http://www.rferl.org/specials/russia/media6/part4.asp>; at this address, the website of Radio Free Europe/Radio Liberty offers a series of reports on “Russian Media Empires” by F. Fossato e A. Kachkaeva

⁷⁸ FOSSATO F., “The Russian Media: From Popularity to Distrust”, p. 347

both sides of the conflict. Other Russian main media supported Putin and his strong message against Chechnya guerrilla. As Belin puts it,

The use of the media as weapons to decimate Fatherland-All Russia [alliance led by former Prime Minister Primakov and Luzhkov] and promote Putin's first-round election victory were part of a larger development in the late 1990s: an attempt to reassert the state's role in managing media coverage⁷⁹.

The newly created Federal Commission on Competitions for Television and Radio Broadcasting, controlled by the Media ministry, had power to concede and retire licensing for media. Though not at risk of losing its licence, NTV and its parent company, MediaMOST, came under increasing economic and political pressure beginning in June 1999, when a state-controlled bank demanded the holding repay a huge loan in cash. Although that loan was repaid following a court battle, more pressure followed from Gazprom's chief executive, who criticised NTV's coverage of the war in Chechnya. The following month, Gazprom demanded reimbursement for a 211 million dollar loan it had repaid to a bank on MediaMOST's behalf. In part Media-MOST managers were to blame for their predicament, because they failed to create a media organization truly independent from the state. But ORT was not asked to repay its 100 million dollar loan from the same bank.

After criminal investigations, intimidating police raids and the systematic dismantling of MediaMOST, in the early 2001 Gusinsky was eventually obliged to cede control of his media empire to Gazprom. Acting through industrial groups such as Gazprom and Lukoil the Kremlin also ordered the closure of Berezovsky's TV-6 in January 2002. TV-6 was replaced by TVS, which soldiered on as Russia's only privately-owned national network until the authorities pulled the plug in June 2003, officially for financial reasons. According to the American based Freedom House, an international organization dedicated to media rights and democracy, TVS was "the country's last independent television station, [for which] authorities rejected a new investor ready to assume the network's debt"⁸⁰.

Print media are rarely independent financially. The entire advertising market in the Russian Federation is less than the amount spent annually for advertising by Procter and Gamble⁸¹. Most publications are subsidised, either by government or by private individuals.

Many observers state that the Internet is probably the least restricted communication means among the "managed pluralism" of media in Russia⁸². According to 2002 data, fewer than 10% of Russians use the Internet, and about 4% use it regularly (the world's average percentage of users does not reach 10%)⁸³.

⁷⁹ BELIN L., "Political Bias and Self-Censorship in the Russian Media", p. 333

⁸⁰ "Freedom in the world 2004", in www.freedomhouse.org

⁸¹ BALZER H., "Managed Pluralism: Vladimir Putin's Emerging Regime", in *Post-Soviet Affairs*, 19 (2003) 4

⁸² See *Ibidem*, p. 203

⁸³ MARCUS A., "The Internet in Putin's Russia. Reinventing a Technology of Authoritarianism", Oxford University, 2003, in <http://www.psa.ac.uk/cps/2003/marcus%20alexander.pdf>. The paper is a well documented analysis on the Internet policy in Russia. The game theoretic model introduced to explain the Russian case shows that the promotion

Table 1 shows the main Russian non-electronic media at June 2004.

Table 1: Russian traditional media

The press

- Komsomolskaya Pravda: mass circulation, outspoken daily, controlled by tycoon Vladimir Potanin
- Kommersant: liberal, business-orientated, controlled by tycoon Boris Berezovsky
- Moskovskiy Komsomolets: popular daily controlled by Moscow Mayor Yury Luzhkov
- Izvestia: popular daily controlled by tycoon Vladimir Potanin
- Rossiyskaya Gazeta: official government newspaper
- Nezavisimaya Gazeta: influential privately-owned daily
- Argumentiy i Faktiy: popular weekly
- Sovetskaya Rossiya: pro-Communist daily
- Krasnaya Zvezda: Defence Ministry newspaper
- The Moscow Times: English-language daily

Television

- Russia TV Channel: national network, run by state-owned Russian State Television and Radio Broadcasting Company (RTR)
- Channel One: national network, 51% owned by state, 49% by private shareholders
- NTV: national network, owned by gas monopoly Gazprom
- Centre TV: commercial, Moscow area
- Ren TV: commercial

Radio

- Radio Russia: national network run by state-owned Russian State Television and Radio Broadcasting Company (RTR)
- Moscow Echo: influential private station
- Radio Mayak: state-run national network
- Voice of Russia: external service, broadcasts in English and other languages

News agencies

- Itar-Tass: state-owned
- RIA-Novosti: state-owned, pages in English
- Interfax: private, pages in English

Source: BBC news (http://news.bbc.co.uk/2/hi/europe/country_profiles/1102275.stm#media)

of Internet access and Information and Communication Technologies proliferation can be turned into direct and indirect propaganda.

3.4.2. Media coverage of the Kyoto Protocol Process

Statistical data and reports regarding the Russian media releases on the Kyoto treaty are not available in English. What can be found on the Internet are press reviews on environmental issues provided by political institutions⁸⁴ or environmental NGOs⁸⁵. However, a simple searching on three popular newspapers, in their English version on the Internet, shows that the process which brought the Kyoto Protocol to Parliament for approval received a fair amount of attention.

The three newspapers were *Rossiyskaya Gazeta*, *Pravda* and *The Moscow Times*. The former two have an English version available on the web⁸⁶, the latter is an English-language daily⁸⁷. According to a 2002 survey, *Gazeta.ru* was the most visited Russian online media, while *Pravda.ru* occupied the eighth place. Searching the archives of the English version for the occurrences of the string “Kyoto protocol” in the April 2002- June 2004 period (thus excluding the weeks immediately preceding the final decision by the Russian Cabinet), results are as follows:

Table 2: Occurrences of the string “Kyoto protocol”

Gazeta.ru	57
Pravda.ru	32
Themoscwotimes.com	81

Not surprisingly, the most Western and business-oriented title predominates in references to an international treaty. Comparison with other strings makes it possible to appraise the data⁸⁸. Although the newspapers seem to pay a little attention to the protocol, it is worth stressing that *Gazeta* quoted the Kyoto Protocol on average 2.2 times a month, *Pravda* 1.2, *The Moscow Times* 3.1. The World Trade Organization,

⁸⁴ The only website of a Russian political body with a developed English version is the Ministry of Foreign Affairs: www.in.mid.ru

⁸⁵ One of the widest coverage is offered by WWF Russia: www.wwf.ru; others are www.climateark.org and www.bellona.no

⁸⁶ Respectively www.english.pravda.ru and www.gazeta.ru/english

⁸⁷ www.themoscowtimes.com

⁸⁸

	“Terrorism”	“WTO”	“Environment”	“Kaliningrad pass plan EU”*	“PCA”**
Gazeta.ru	793	113	109	10	10
Pravda.ru	269	81	275	18	0
Themoscwotimes.com	1.111	293	739	38	7

* Special transit arrangements for residents of Russia’s isolated enclave of Kaliningrad after Poland and Lithuania join the EU. The issue has been raised for the first time in April 2002 and the first EU-Russia Joint Statement was adopted in November 2002.

** Partnership Cooperation Accord (see throughout the chapter).

