

IGOR YURGENS

Chairman of the Management board of the Institute of Contemporary Development in Moscow

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I suggest to move to the fourth speaker – Igor Yurgens. We will move to a more regional approach after the approach by energy. Igor will focus on the sustainable development in Russia and the Eurasian Economic Union. Igor is the Chairman of the Management Board of the Institute of Contemporary Development and Vice President of the Russian Union of Industrialists and Entrepreneurs. You have the floor. I will give you 10 minutes, plus.

Igor Yurgens

Thank you very much. To be a good Russian, I will curtail my speech because there are still so many people ahead of me. Let me just show you what I wanted to tell you, and then I will comment a little bit on the situation in the Russian energy sector.

The Russian Federation started a real integration into the ESG world. There is a carbon regulation, there is a sustainable finance regulation, there is a regulation of ESG risks by the central bank, and we created a methodical framework for taking all of those ESG factors into the development of industry in the Russian Federation – not only industry, but also financial markets.

However, we are not alone. We want to build it on the Eurasian space – Kazakhstan and Kyrgyzstan are part of this union. Kazakhstan is very advanced. They started in 2013, so they already have a carbon exchange. They have a pretty advanced financial market with green bonds, etc. They have taxonomy approved. They have mandatory disclosure of non-financial information for all organizations, which we do not have in Russia. It is only voluntary and it is only a fraction.

Kyrgyzstan is a little bit behind, but they are beginning very serious development. In Bishkek, they now have the draft national taxonomy and they approved the guidelines. They copied Kazakhstan because this is their closest neighbor. Therefore, there is serious progress there.

Belarus talks a lot but is not very much on the time schedule. However, they are developing different objects of this sustainable development and they have a state concept of green bonds of republic, for example, and a verification system and so on and so forth.

Armenia is a little bit behind, but they also have an element of stock exchange with green bonds and national roadmap for stable finance.

In this part of my presentation, I want to say that, no matter what we do, the Chinese regulatory system, the Chinese Stock Exchange, the Chinese financial instruments and standard-setting are well ahead of us. They worked for at least 15 years on those and we know that International Sustainability Standard Board, which is headquartered in Montreal, decided to take Asia on board. They delegated to the Chinese People's Republic because they are so advanced in methodology, regulation and financial motivation of those who want to be green, that it is a *fait accompli*.

Another matter is that, of course, Eurasian space – by and large, I am absolutely sure – they say that they will be independent, they will be autonomous and so on. However, they will copy the Chinese example of how to transfer their economies and financial markets to ESG transformation and sustainable development.

Of course, you know that they promise to get the peak out of the energy mix by 2030 and then start to curtail drastically the emissions and all of that. At the moment, as we all know, on electrical cars, on wind turbines, on all of this, they are well ahead of us. They are well ahead of Europe and they are number one in the world.

Nevertheless, as was shown, coal production is growing and will grow until 2030, but that is now in the constitution of the People's Republic of China and in their documents of the 25th Congress. Judging by how disciplined the process is, they will probably manage Net Zero by 2060.

A couple of words on Russia. You are absolutely right. When the war started and you cut Russia out of your supplies, the pivot to Asia was declared. In the beginning, this counted for 40%, both in India and in China. In India, we could not convert this money. There are still INR 14 billion and we do not know exactly the scheme on how to recuperate that and transfer it to real money. The same in China. We have trade in Yuhuan, so it is easier.

However, at the moment, I would say that, according to our Ministry of Energy, the discounts go to 10% and the volumes are considerable. There are definitely all kinds of further sanctions, secondary sanctions and so on and so forth, in force. It is difficult to transport oil and gas to the friendly countries, let me put it this way.

Lloyds, for example, forbids insurance but there are always grey schemes Russians insure it in the international waters. The last mines were taken by Turks, by Egyptians, even, let us be honest, by Greeks and people from your jurisprudence.

From this point of view, if someone thinks that Russia suffered a lot, yes, at the beginning, it was a serious blow. At the moment, we do not feel it. Inflation is at 6% and the GDP growth is at 2.8%, almost 3%. When we compare the economic situation, the economic warfare did not work the way it was planned. That is a fact of life, but that is short-term.

Mid-term and long-term would be much more difficult because the technological gap will not be covered. Then we will be dictated by our Chinese brother, who becomes the big brother and the big brother is always a little bit tougher than twins. That will be felt. That is already felt in the Far East, very much so, in many instances and in many fields.



However, I would like to say that, of course, as it was discussed today on the political panel on Ukraine, the sooner we start negotiating a ceasefire, the better for everybody. In view of what TotalEnergies said on the general need for the energy in the world, I do not think that the best solution would be further sanctions, super-sanctions, super-super-sanctions, because you left Novatek. Novatek immediately replaced you with a Chinese counterpart.

The technological needs for the Arctic drilling? Okay, not immediately from the best producers, but immediately a grey zone and this so-called parallel import technology arrives in Russia.

I will end here. Russians, especially young Russians, academic Russians, *intelligentsia*, want to be with you in the same world process, and that was shown in the first part.

The second part will largely depend on geopolitics, which is much more difficult because, here, the invisible hand of the market works less efficiently when the politicians get into that. The sooner we finish this tragedy, the better for everybody.

Thank you very much.

Olivier Appert

Thank you both for the presentation and being very precise.

From the Floor

Just one simple comment that the easiest way to get rid of all these problems is for Russia to leave Ukraine. That is all.

Igor Yurgens

Tell it to Mr. Putin, not to me, okay?

From the Floor

Of course, yes. Thank you very much.

Olivier Appert

In fact, you referred to sanctions. To be frank, the Russian oil and gas revenues came back now to the levels before February 2022. Therefore, are the sanctions efficient?

Igor Yurgens

Sanctions cost us – overall, not energy – a move from 1% to a 2% GDP, nevertheless, and it is felt. No question about that. However, to say that it was a successful economic warfare – no.