Ministry of Economic development and Trade of Russia

GIS IN RUSSIA - WHY AND WHY TODAY? PROBLEMS AND PERSPECTIVES

Oleg Pluzhnikov

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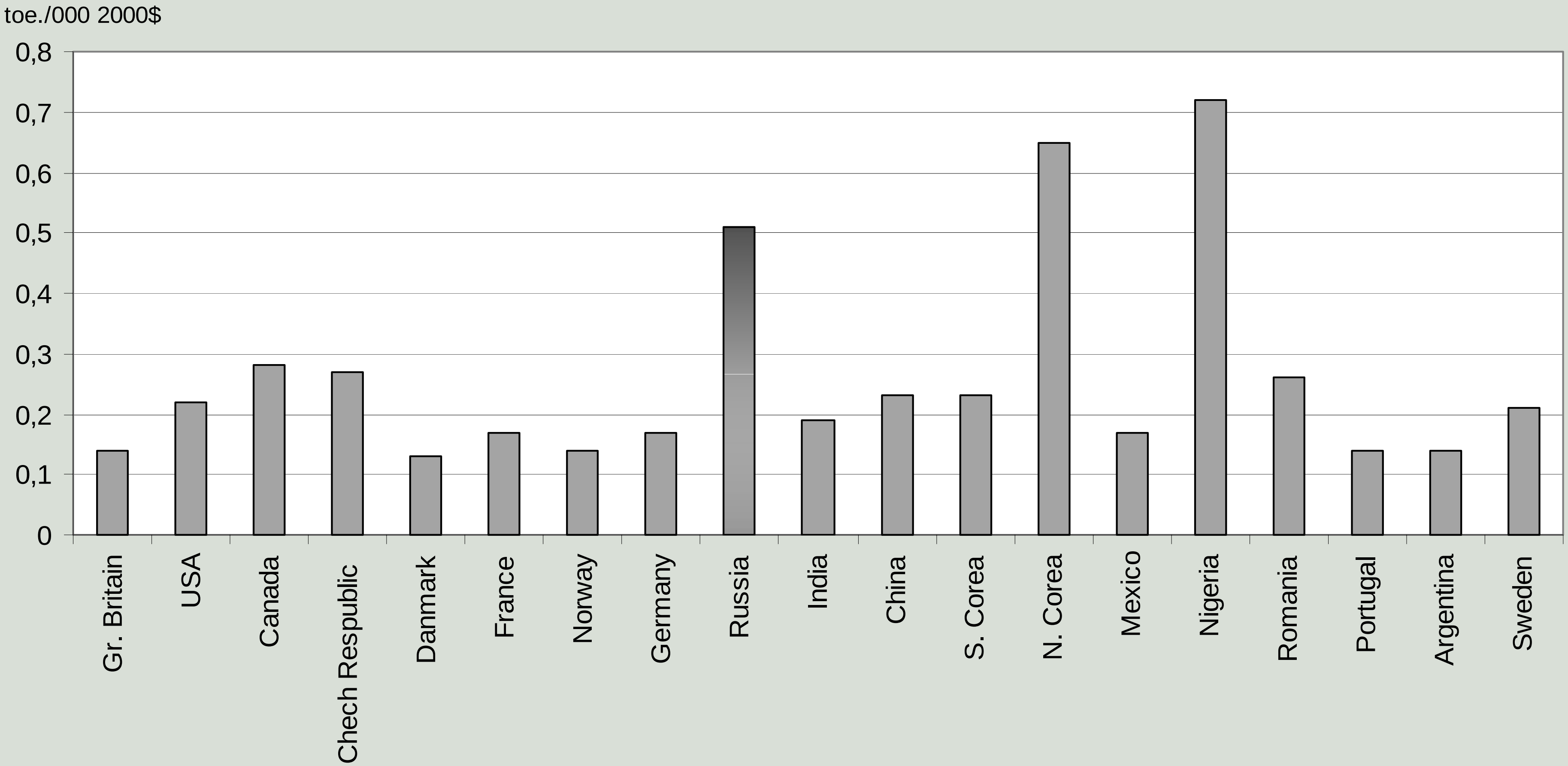
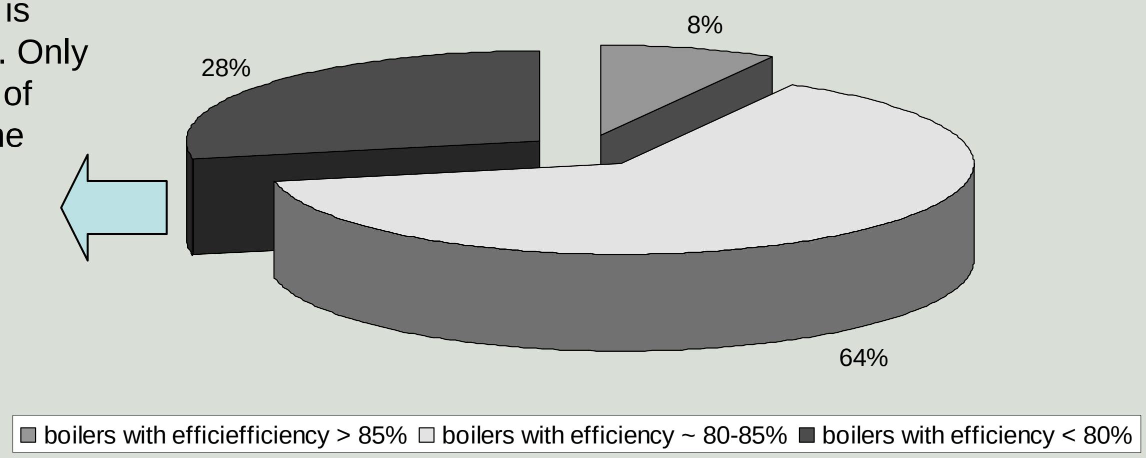
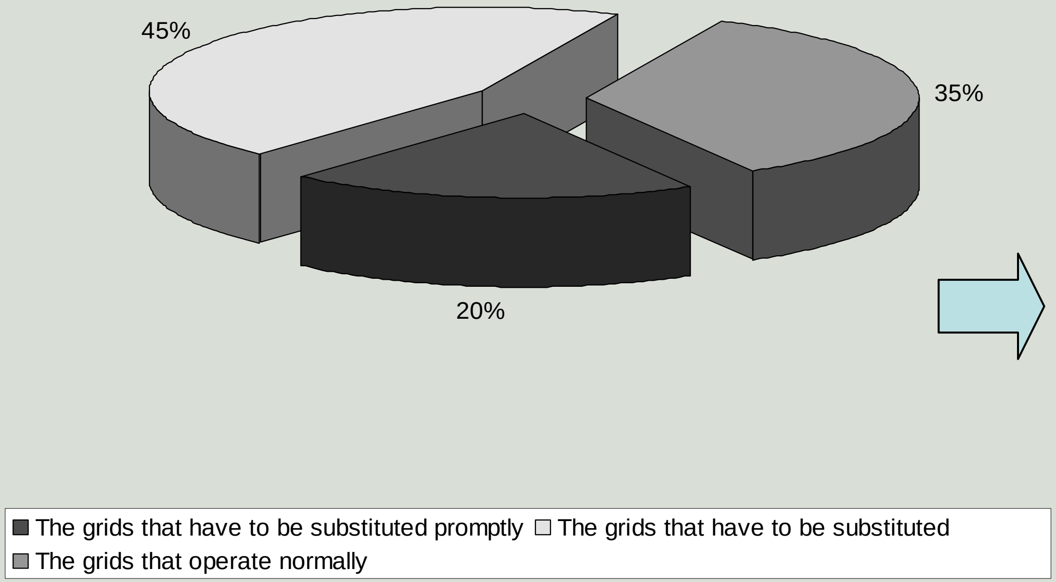
Russian Energy Intensity (IEA data)



ENERGY CONSUMPTION IN THE DHS

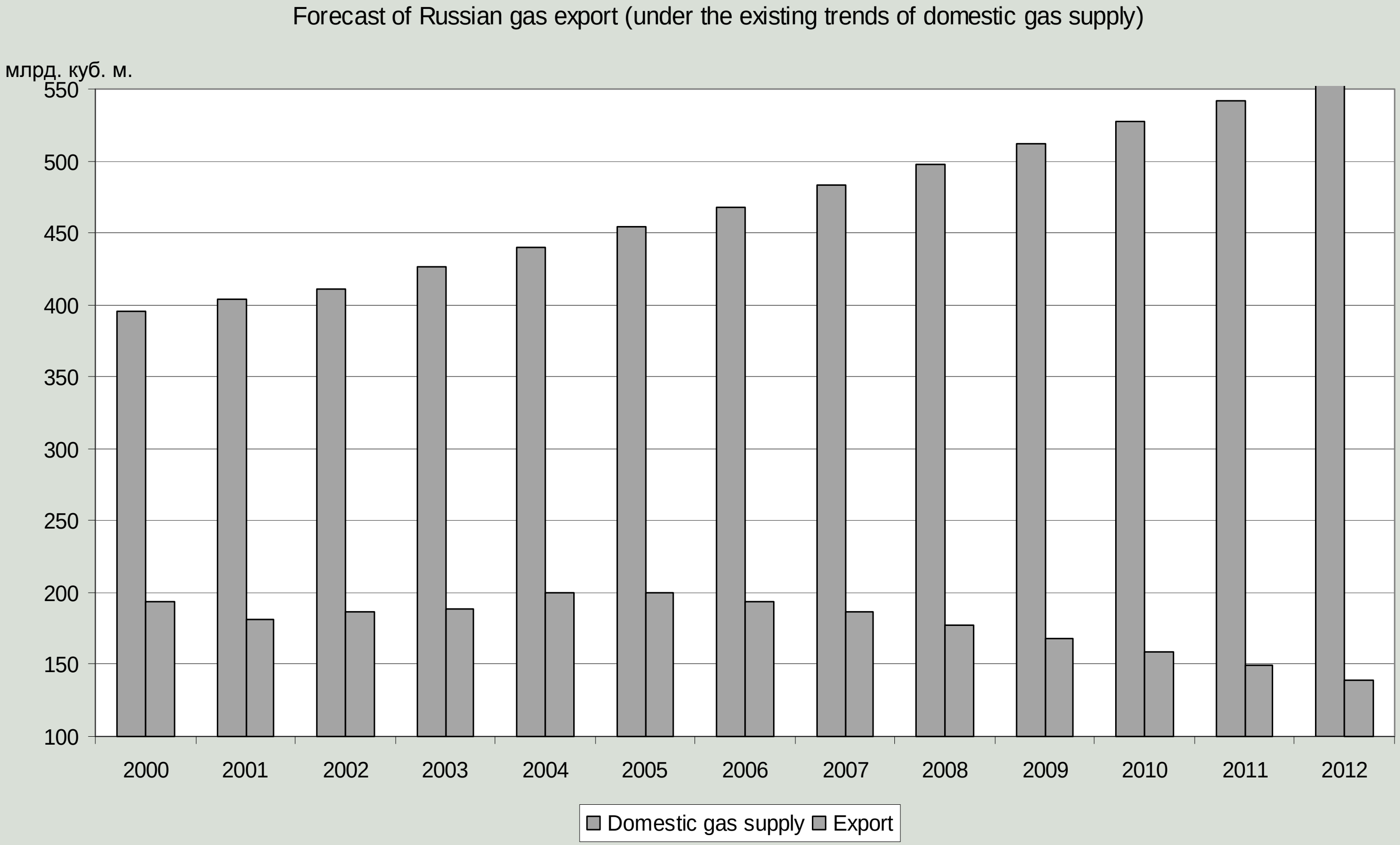
The average efficiency of Russian boilers is 67% (in the countries of Western Europe). Only 8% of Russian boilers have the efficiency of over 85%. 64% of Russian boilers have the efficiency ~ 80%. 28% of boilers have the efficiency ~ 60%.





The length of heat supply grids in Russia is 184 thousand km., of which 34 thousand have to be substituted promptly.
«Normal» losses in EU countries ~ 2-10%.
In Russia >10%.

FORECAST OF RUSSIAN GAS EXPORT - BAU SCENARIO (WITHOUT RADICAL IMPROVEMENTS IN ENERGY EFFICIENCY)



Under the existing trends of the growth of Russian gas consumption the decline of gas export can reach ~ 30% in 2012.

POLITICAL INCENTIVES FOR IMPROVING ENERGY EFFICIENCY AND GIS ELABORATION

1. Message of the President to the Parliament on Energy efficiency (2006)

2. St. Petersburg G8 Summit Decision

3. Growing domestic Energy (Gas) supply and Gas export problems

4. We are late with JI procedures (likely to come into force by the end 2006).

ADVANTAGES OF GIS FOR RUSSIA (COMPARED TO JI)

- The ONLY way for Russia to attract investments (first of all - into Energy saving activities) under article 17 and to benefit from «hot air». Russia WILL NOT just sell «hot air».
- Stimulation of Capacity building at the National level (the system of determination of project documents and emissions reductions as well as additional incentive for the projects participants to prepare the projects according to the international standars)
- Possible simplification of procedure (at the international level) of projects realization

APPROACHES ON GIS REALIZATION -
AT THE MOMENT MORE QUESTIONS ...

- **Soft or Hard Greening?**
- **The limit on AAUs to be transfered?**
- **The methodologies to be used?**
- **The sectors to be covered?**
- **Domestic legal problems to be solved?**
- **The domestic approval system for GIS projects?**
- **Possible partners? To what extent the experience with the WB can be taken into account in relations with other partners?**
- **Why not to use the federal money for the same purpose?**

PILOT GIS PROJECT WITH THE WB

Main targret: the forming of financial mechanisms for GIS implementation and capacity building for Russian participation in the global ET market

Main tasks:

1. Establishment of legal and institutional conditions for GIS realization in Russia
2. Elaboration of financial mechanism for GIS realization
3. Identification and realization of priority GIS projects

The legal basis for the project:

1. Agreement between the Russian Government and the WB (Grant # 0555133)
2. Decree of the Government # 43 of 28.01.2005

The current status: End of October 2006 is expected time of the start of the GIS project after the Government will issue the Decree on GIS project.

PRELIMINARY CONSIDERATIONS

1. Today is a good time for GIS elaboration - first of all due to political reasons. Russia is doing that.

2. However - the role of GIS in Russia will not be high in the near future (2-3 years)
- limit on AAU
- late start
- competition from JI projects
- lack of well-prepared projects
- gaps in legal and institutional framework
- lack of interest from foreign partners
- ongoing political and technical debates on GIS inside Russia

3. Future of GIS in Russia remains uncertain. In the longer perspective (after 2009) the role of GIS may significantly grow if:
- more interest from the buyers will be demonstrated
- proper domestic legal and institutional conditions will be established in Russia
- positive experience of the project with the WB will be demonstrated
- negotiations on the post-Kyoto will be succesful. If so, the GIS can take into account reductions after 2012.

4. Some of the above uncertainties will be taken off within 6 monthes.