

Russia

G20 coal subsidies



The Russian government **provides significant support** for coal mining and infrastructure for exports

Coal and Russia's economy

US\$25,176



GDP per capita, PPP
(2016–2017 average)

14,001



2016 imports
(kilotonne oil equivalent)

109,034



2016 exports
(kilotonne oil equivalent)

16%



Share in power mix
(by generation)

Key findings

- Russia provides significant government support to coal mining and infrastructure for coal exports, for example through preferential rail tariffs.
- The government envisages stabilisation of domestic coal consumption, with no coal phase-out plans.
- Russia uses several majority state-owned energy companies and banks to support coal. Publicly available estimates of support remain incomplete.
- Russia provides fiscal support to coal exploration and mining, averaging ₪1,775 million (US\$28 million) per year (2016–2017 average).

Prominence of fossil fuels and subsidy phase-out commitments

- The share of coal in Russia's electricity mix peaked in 2000 at 20% and was 16% in 2016 (after a switch from coal to gas), with 65% of electricity produced from fossil fuels in 2016 (IEA, 2019).
- Some new coal-fired plants are being built, primarily in remote regions and as backup power generation capacity (Khokhlov and Melnikov, 2019).
- Government support to coal is dwarfed by oil and gas subsidies (Oharenko et al., 2015).
- Russia is discussing ratification of the Paris Agreement (Interfax Russia, 2019).
- As a member of the G20, Russia has committed to the phase-out of inefficient fossil fuel subsidies over the medium term, as agreed in 2009 (G20, 2009). As a signatory of the Convention on Biological Diversity (Aichi Target 3), Russia has also committed to phasing out environmentally harmful subsidies, including those to fossil fuels, by 2020 (UN, 1992).

Government support to coal production

- Long-term planning sees coal exports driving trade with China and development in eastern Russia (Ministry of Energy 2018). Between 2011 and 2017, annual coal production increased by about

20% to 409 million tonnes (Ministry of Energy, n.d.). In 2018, fixed capital investments amounted to ₺150 billion (US\$2.4 billion), a 45% increase year-on-year (Fateeva, 2019). Shrinking demand for coal renders Russia’s export policy problematic (Makarov et al., 2016).

- The government sets low tariffs for coal transport by rail, contributing to the coal industry’s expansion and exports (IEA, 2014; Khusainov, 2018).
- Russian majority state-owned banks Eurasian Development Bank, Sberbank, VEB and VTB fund coal mining and power projects in Russia and Kazakhstan (Tengrinews 2014; EDB, 2019). Estimates remain incomplete.
- Russia provides direct budgetary transfers to coal exploration and industry restructuring, and tax relief on some coal mining. Coal projects also benefit from tax relief for ‘territories of accelerated development’ (Finmarket, 2017).

Government support to coal-fired power production

- State-owned energy companies (Inter RAO, Rosneftgaz and Gazprom EnergoHolding) fund new coal generation assets (Inter RAO, various years; Vavina, 2019). Estimates show at least ₺48,459 million (US\$748 million) per year (2016–2017 average) but these figures remain incomplete.
- Government support to coal-fired power generation is also provided via Capacity Delivery Agreements and purchase of capacity from must-run generators (NP Market Council Association, n.d.).¹

Government support to coal and coal-fired power consumption

- Subsidies for households and other consumers are through regulated tariffs for electricity (at US\$14.3 billion in 2018 according to the IEA) and heat (no estimate), partly from coal generation (IEA, n.d.).

Russia’s government support to coal and coal-fired power production and consumption

₺ millions, 2016–2017 annual average

Instrument	Coal production ⁱ	Coal-fired power	Coal consumption ⁱⁱ	Transition support ⁱⁱⁱ
Fiscal support (budgetary transfers and tax exemptions)	1,775	none identified	none identified	none identified
Public finance	116	not quantified ^{iv}	none identified	none identified
Domestic	116	–	–	–
International	not quantified ^{iv}	–	–	–
State-owned enterprise investment	none identified	48,549	none identified	none identified

Note: for more detail and sources see the Russia data sheet available at odi.org/g20-coal-subsidies/russia.

ⁱ This category includes support for coal exploration, mining, processing and transportation.

ⁱⁱ This category includes support for consumption of coal-fired power, and of coal other than for its use for coal-fired power generation (or for co-generation of power and heat).

ⁱⁱⁱ This category includes support for closing down mining sites, and for workers and communities in their transition away from coal and coal-fired power.

^{iv} Public finance for coal power and mining in Russia and Kazakhstan is provided through the majority Russia-owned Eurasian Development Bank. However, estimates are not included here as they are not captured by the main database used for this research (Shift the Subsidies database, Oil Change International).

1 These are a form of capacity mechanism. A capacity mechanism is ‘an administrative measure to ensure the desired level of security of supply by remunerating generators for the availability of resources’ (Erbach, 2017: 2).

- Certain remote regions receive federal budget support for purchase of coal for heating, estimated at ₺3.7 billion (over US\$59 million) in 2018 (Davydov Index, 2018).
- Coal miners and other vulnerable consumers receive subsidies for thermal coal (Finmarket, 2017).

Government support to the transition away from coal and coal-fired power

- The government does not envisage a coal phase-out (Government of Russia, 2014; Ministry of Energy, 2018).
- There is transition support to coal miners and communities as part of consolidation and restructuring of coal, though not as support to transition away from coal.
- As part of the low-carbon transition, the government supports energy efficiency measures.

References

- Davydov Index (2018) ‘Regions will get more for heating’. Moscow: Davydov Index (<https://davydov.in/region/regiony-sogreyut-subsidiyami/regionam-dobavyat-na-teplo/>)
- EDB – Eurasian Development Bank (2019) ‘EDB projects’. Webpage. Almaty, Kazakhstan: Eurasian Development Bank (<https://eabr.org/en/projects/eabr/>)
- Erbach, G. (2017) ‘Capacity mechanisms for electricity’. European Parliamentary Research Service Briefing. Brussels: European Parliamentary Research Service ([www.europarl.europa.eu/RegData/etudes/BRIE/2017/603949/EPRS_BRI\(2017\)603949_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2017/603949/EPRS_BRI(2017)603949_EN.pdf))
- Fateeva, V. (2019) ‘Coal burned out in price’. Content Siberia Online, 12 April (ksonline.ru/343878/ugol-progorel-v-tsene/?fbclid=IwAR0guVrxNDcFYnbdmon7y1FvXlpOQR5oloNVcXyVV6hK5qOuRWRI dBr2B0)
- Finmarket (2017) ‘Coal production scores record high – Deputy Minister of Energy’. Finmarket, 18 August (www.finmarket.ru/interview/?id=4590411)
- G20 (2009) G20 Leaders’ Statement: The Pittsburgh Summit. Pittsburgh PA: G20 (www.g20.utoronto.ca/2009/2009communique0925.html)
- Government of Russia (2014) ‘Long-term programme of the coal industry’s development to 2030’. Moscow: Russian Coal (www.rosugol.ru/upload/pdf/prup_2030.pdf)
- IEA – International Energy Agency (n.d.) ‘World energy outlook: the gold standard of energy analysis. Fossil-fuel subsidies’ (electronic dataset, International Energy Agency) (www.iea.org/weo/energysubsidies/)
- IEA (2014) *Russia 2014: energy policies beyond IEA countries*. Paris: International Energy Agency (www.iea.org/publications/freepublications/publication/Russia_2014.pdf)
- IEA (2019) ‘Statistics:electricity generation by fuel’ (electronic dataset, International Energy Agency) (www.iea.org/statistics/)
- Inter RAO (various years) Annual reports. Web library. Moscow: Inter RAO (www.interrao.ru/en/investors/disclosure/annual/2017.php)
- Interfax Russia (2019) ‘Sergei Ivanov explained the requirements of the Paris Agreement ratification’. Interfax Russia, 13 March (www.interfax-russia.ru/Moscow/news.asp?id=1013588&sec=1668)

Khokhlov, A. and Melnikov, Y. (2019) *Coal-fired generation in Russia: new challenges and opportunities*. Moscow: Skolkovo Energy Centre (energy.skolkovo.ru/downloads/documents/SEneC/Research/SKOLKOVO_EneC_Coal_generation_2019.01.01_Rus.pdf)

Khusainov, F. (2018) ‘Coal miners’ tariff successes’. *Vedomosti*, 16 October (www.vedomosti.ru/opinion/articles/2018/10/16/783761-tarifnie-uspehi)

Makarov, A., Grigoriev, L. and Mitrova, T. (2016) *Global and Russian energy outlook 2016*. Moscow: The Energy Research Institute of the Russian Academy of Sciences and The Analytical Centre of the Government of the Russian Federation (www.eriras.ru/files/forecast_2016.pdf)

Ministry of Energy (n.d.) ‘Coal production’. Webpage. Moscow: Ministry of Energy (minenergo.gov.ru/node/435)

Ministry of Energy (2018) ‘State programme of the Russian Federation “Energy Efficiency and Energy Sector Development to 2020”’. Adopted 15 April 2014 and updated 30 March 2018. Moscow: Ministry of Energy (minenergo.gov.ru/node/323)

NP Market Council Association (n.d.) ‘Wholesale market’. Webpage. Moscow: NP Market Council Association. (www.en.np-sr.ru/en/srnen/abouttheelectricityindustry/electricityandcapacitymarkets/wholesalemarket/index.htm)

Oharenko, Y., Bossong, K., Gerasimchuk, I. and Pickard, S. (2015) *G20 subsidies to oil, gas and coal production: Russia*. ODI country study. London: Overseas Development Institute (www.odi.org/publications/10078-g20-subsidies-oil-gas-and-coal-production-russia)

Tengrinews (2014) ‘China and Russia to spend \$400 million on Kazakhstan power plant’. Tengrinews, 16 January (en.tengrinews.kz/finance/China-and-Russia-to-spend-400-million-on-Kazakhstan-power-23474/)

UN – United Nations (1992) Convention on Biological Diversity. 1760 UNTS 20619, entered into force 29 December 1993 (www.cbd.int/convention/text/default.shtml)

Vavina, E. (2019) ‘Kaliningrad oblast has become energy-independent’. *Vedomosti*, 7 March (www.vedomosti.ru/business/articles/2019/03/07/795869-kaliningradskaya-energeticheskoi-nezavisimosti)



This country study is one in an 18-part series. The country findings are collated in the summary report, which you can find at odi.org/g20-coal-subsidies along with full references, acknowledgements and further information about methodology and data sources.

Unreferenced information in this summary is from the analysis conducted for this report, available in the Russia data sheet at odi.org/g20-coal-subsidies/russia.