

CARBON NEUTRALITY OF THE SCO COUNTRIES: PROSPECTS AND PROBLEMS FOR CARBON MARKET INTEGRATION

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Conference remarks by **Michael Oshchepkov**



Abstract:

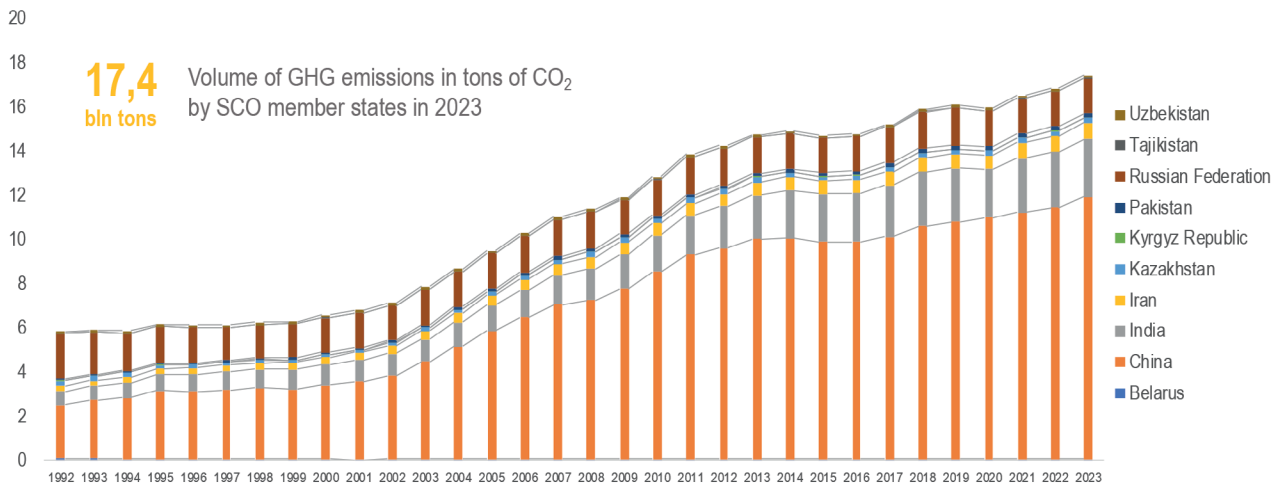
The paper highlights the challenges and opportunities of integrating carbon markets within the Shanghai Cooperation Organization (SCO) in pursuit of carbon neutrality among its member states. The paper was presented by Michael Oshchepkov at the VI International Municipal Forum of BRICS countries in Moscow and emphasises the potential of a unified carbon credit market to enhance emissions management and stimulate green technology innovation. However, significant barriers exist, such as regulatory discrepancies, a lack of uniform standards and transparency issues. The article advocates for collaborative efforts to develop a cohesive regulatory framework necessary for overcoming these challenges. Additionally, examples like Gazprom MCS's methane reduction project illustrate the quality of carbon credits that may strengthen the SCO's carbon market. Overall, effective cooperation among SCO states is seen as crucial for enhancing economic ties and addressing global climate challenges.

Keywords: carbon markets, carbon neutrality, climate projects, greenhouse gas emissions, international cooperation, regulatory framework, renewable energy investment, SCO

Углеродная нейтральность стран ШОС: перспективы и проблемы интеграции углеродных рынков

Аннотация: В статье освещаются актуальные проблемы и возможности для интеграции углеродных рынков стран-участниц Шанхайской организации сотрудничества (ШОС), которые последовательно движутся к достижению целей по углеродной нейтральности. Презентация Михаила Ощепкова на VI Международном муниципальном форуме стран БРИКС в Москве подчёркивает большой потенциал единого рынка углеродных единиц для улучшения управления выбросами и стимулирования инноваций на международном уровне. Однако сегодня существуют значительные барьеры, препятствующие формированию единого углеродного рынка стран-участниц ШОС. Это и необходимость синхронизации регуляторных механизмов, и отсутствие единых стандартов реализации климатических проектов, и проблемы прозрачности данных. Автор подчёркивает необходимость совместных усилий для разработки единой нормативно-правовой базы, которая позволила бы преодолеть эти барьеры. Успешные примеры уже реализуемых климатических проектов демонстрируют широкие возможности российского рынка углеродных единиц, который мог бы внести значительный вклад в формирование единого углеродного рынка на всем пространстве ШОС. Поэтому эффективное сотрудничество между государствами-членами ШОС рассматривается как ключ к укреплению экономических связей и решению глобальных климатических проблем.

Ключевые слова: выбросы парниковых газов, инвестиции в возобновляемую энергию, климатические проекты, международное сотрудничество, нормативная база, углеродная нейтральность, углеродные рынки, ШОС

Volume of GHG emissions by SCO member states, bln tons of CO₂

Source: World Bank

The VI International Municipal Forum of the BRICS countries was held in Moscow at the Expocentre site on August 27–28, 2024. This annual large-scale event is attended by representatives of federal, regional and municipal authorities, as well as large corporations. During the forum, participants discussed the socio-economic development, cultural integration, health problems, information technology and other issues of the BRICS countries. Michael Oshchepkov, Researcher at RC ENERPO, European University at St. Petersburg, delivered a presentation titled “**Carbon Neutrality of the SCO Countries: Prospects and Problems of Integration of Carbon Markets**”. The report contained the following theses.

The Shanghai Cooperation Organization (SCO) unites large countries with significant potential to reduce greenhouse gas emissions. The pursuit of carbon neutrality is a common goal of all SCO member states and opens up new opportunities for cooperation in the climate field.

One of the most promising areas of cooperation in the field of climate is the creation of a common market for carbon credits. A common market would optimise emissions management and stimulate the introduction of innovative technologies, increasing the effectiveness of combating climate change. The integration of carbon markets can strengthen trade and economic relations between the SCO member states, creating new opportunities for cooperation in the field of green technologies. In particular, the implementation of this direction will require additional efforts to invest in climate projects, including in the field of renewable energy, contributing to the transition to a low-carbon economy of all SCO member states.

The idea of the need to integrate carbon markets has many supporters, but this process is associated with a large number of barriers. The main obstacles are:

- **Differences in the regulatory framework.** The national carbon emission control systems of the SCO countries differ

significantly, which, in turn, creates obstacles to the rapid integration of greenhouse gas emission reduction markets. It is necessary to synchronise the national systems of all participating countries, and this is a long and complex process.

- **Lack of uniform standards.** Uniform and universally recognised standards for the implementation of climate projects are lacking, which makes it difficult to create a single market and creates barriers to international trade in carbon emissions reductions.
- **Transparency and accountability issues.** An effective monitoring, verification and reporting system is needed to ensure transparency in carbon markets as well, which will then need to be recognised by all participating countries.

Strengthening cooperation between the SCO countries in the field of climate will help overcome existing problems and create conditions for the successful integration of carbon markets. In particular, the creation of a unified regulatory framework for regulating greenhouse gas emissions and standards for the implementation of climate projects within the SCO would ensure compatibility between different national systems.

Russia is now actively moving in this direction, having launched a regulatory framework to limit greenhouse gas emissions and implement climate projects aimed at preventing and/or reducing greenhouse gases. Currently, Russia is implementing an experiment to achieve carbon neutrality in an individual region – Sakhalin. The first Russian projects, contrary to the expectations of the community, can already boast a high level of compliance with the world standard. For example, the project implemented by Gazprom MCS to prevent the release of natural gas (methane) during the preparation of sections of main pipelines for repair work has not only been validated and verified according to Russian standards, but also previously passed similar procedures according to the international ISO standard and has a certificate

of compliance with the UER (Upstream Emission Reduction) industry program. The carbon units generated as a result of the implementation of such a project could well become a commodity in the SCO unified carbon market, since they have the necessary level of quality.

While the success of Gazprom MCS could very well present advantages across the SCO, the integration of carbon markets within the organisation is a complex process that requires coordinated efforts by all member states. The advantages include increasing the reduction of greenhouse gas emissions, attracting investment, stimulating innovation and strengthening trade ties between countries. All these ideas together make such cooperation very promising both for strengthening integration ties between countries and stimulating the economic growth of participants, while working to solve the global climate problem, which the European University at St. Petersburg is dealing with in particular.

About Michael Oshchepkov

Michael Oshchepkov is an Analyst at the ENERPO Research Center of the European University at St. Petersburg. He holds his Master's in Economics and Finance from St. Petersburg State University of Economics (UNECON). Currently Michael is engaged in the assessment of climate projects for the oil and gas sector, focusing on the development of the carbon units market.

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