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RUSSIA AND CLIMATE CAPITALISM

A Political Economy Perspective on the Governance of Joint Implementation Projects in Russia

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Societal responses to mitigating climate change have so far been governed with market-based practices. The Kyoto Protocol was the first agreement institutionalising this approach. The Russian Federation, one of the key net emitters participated in this framework mostly through project-based JI mechanism that subordinates concrete actions for business. The investigation through a neo-Gramscian political economy lens on climate governance will show that the mechanism preserved the position of the carboniferous historical bloc consisting of Russian elite interests that are dependant on the use of fossil fuels. The focus is on how the global agreement is translated into domestic institutional development and how corporations and non-governmental organisations try to stabilise the new politico-economic field based on the trade of carbon credits.

The process is studied with the use of argumentative discourse analysis, as it links actors and the storylines they pursue with organisational aspects of power. The key sources for the analysis are media articles and expert interviews. In terms of media, the Russian business newspaper Kommersant', news agency Ria Novosti, and international carbon market specific journal Point Carbon are the key sources. As the JI is a highly expert-based sphere, six interviews with Russian and foreign experts on carbon trading provide a more comprehensive picture. The investigation shows that debate was mostly centered between the discourses of nation and market civilisation that may interact together, but may also be in conflict with one another, especially when the perceived economic benefits are high.

The research conducted shows that a small coalition mostly of business actors and environmental organisations, and some civil servants in Russian government emerged during the JI process that advocates for climate change mitigation with the use of market-based mechanisms. The JI projects did not provide a significant incentive towards a low carbon economy neither for Russian governmental or business actors, but rather it mostly preserved the priviledges of carboniferous historical bloc. The most remarkable change in corporate activities mostly occurred in the discursive sphere in terms of branding and marketing.

Key words: Russia, Kyoto Protocol, Joint Implementation, Carbon trading, Carbon offsetting, Gramsci, Climate policy, Discourse, Environmental Governance, Neoliberalism, Nationalism, Modernisation

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Contents

List of Abbreviations

AAU	Assigned Amount Unit
AIJ	Activity Implemented Jointly
CCGS	Climate Change Carbon Strategies
CDM	Clean Development Mechanism
CDP	Carbon Disclosure Project
CER	Certified Emission Reductions
COP	Conference of Parties
ENGO	Environmental non-governmental organisation
ERU	Emissions Reduction Unit
ETS	Emissions Trading Scheme
EUA	European Union Allowance
EU	European Union
FDI	Foreign Direct Investment
GHG	Green House Gas
IET	International Emissions Trading
ICC	Interagency Commission on Climate Change
IR	International Relations
IPE	International Political Economy
JI	Joint Implementation
JISC	Joint Implementation Steering Committee
KP	Kyoto Protocol
MFA	Ministry for Foreign Affairs
MEDT	Ministry for Economic Development and Trade
MNR	Ministry for Natural Resources
NEFCO	Nordic Environment Finance Corporation
NGO	Non-governmental organisation
NCU	National Carbon Union
UES	Unified Energy System of Russia
Roshydromet	Russian Federal Service for Hydrometeorology and Environmental Monitoring
RSPP	Russian Union of Industrialists and Entrepreneurs
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
WTO	World Trade Organization

1. Introduction

1.1 Overview

Carbon markets have emerged as a dominant form to govern politico-economic responses on climate change – one of the biggest contemporary global issues. These responses, however, need to be accommodated in the global economy which is predominantly dependent on fossil fuels and sustained by a strong market ideology based on economic growth. There are also domestic variations in responses and an interplay of forces that may be enabling or constraining. Climate policy may threaten the business models of companies and governments highly dependent on fossil fuel based trade, thus even low mitigation efforts may face contestation such as in Russia.

Traditionally climate policies have been divided into 'mitigation' and 'adaptation'[1]. Mitigation refers to policies that aim to reduce the effects of climate change. These are strategies that either remove greenhouse gas sources or increase the effects of greenhouse gas sinks such as forests. Methods to govern mitigation can be based on regulative and fiscal approaches (UNFCCC 2014), but more dominant has been to apply market-based mechanisms that subordinate responsibility of concrete measures for firms (Stephan 2011; Newell & Paterson 2010). In comparison, adaptation refers to measures that aim to adverse already actual or expected climate change effects in natural and human systems (UNFCCC 2014).

The governance responses politically and analytically have been mostly focused on state-level activities and negotiations (Okereke et al. 2009), although it is corporations that participate directly or indirectly in the resource depletion, energy use and harmful emissions (See Heede 2014). This thesis also addresses this issue by focusing on the activities of Russian corporations, as commercial actors in general pursue ability to act for change and can potentially redirect their financial, technological and organisational resources for overcoming environmental concerns (Levy & Newell 2005, 1). This is vital also in terms of climate governance, as Stephan (2011, 17) argues that carbon market based on emissions trading and offsetting has become a hegemonic project with global transformative effect and it is an epitome of 'climate capitalism', as market is considered to most effectively coordinate mitigation commitments (Newell & Paterson 2010). This new economic sphere, carbon market is understood in this thesis as an "ensemble of practices which attempt to manage carbon emissions in some way or another through market transactions" (Paterson 2010, 350-351).

[1] Third possible way to approach climate change may become geo-engineering, but it is not yet in the global climate policy agenda. It refers to a large array of different technologies aiming at reversing global warming by intentionally intervening in the climate system. It, however, remains so far as a proposal and an object of scientific debate (Luokkanen et al. 2013, 2).

So far the only climate agreement governing emissions mitigation is Kyoto Protocol (KP) that was signed in 1997 and came into force in 2005. It is a result of a long-term global negotiating process that started in 1992 with the adoption of United Nations Framework on Climate Change (UNFCCC). The main rationale of the KP is to set binding targets for industrial countries to mitigate their future emissions. The goal was to achieve, on average, a 5 per cent reduction from 1990 levels that needed to be reached by 2012 (UNFCCC 2005). The agreement introduced for the practical deployment a set of so-called 'flexible mechanisms'; three market-based mitigation mechanisms that were considered to be more flexible than regulative approach in achieving agreed targets. These mechanisms were International Emissions Trading (IET), Joint Implementation (JI) and Clean Development Mechanism (CDM) that are based on the trade of various emissions credits equivalent of a tonne of a carbon dioxide.

In order to enact the climate agreement a sufficient amount of emissions of industrial countries was required. As stated in the agreement at least 55 Parties to the Convention, representing at least 55% of the 1990 carbon dioxide emissions in industrialised countries, were required to ratify the Protocol (UNFCCC 2005). Due to the unwillingness of the United States to sign the treaty and its later withdrawal from negotiations in 2001, role of the Russian Federation became vital, as it was the only country with sufficient emissions. The country contains around 5 per cent of global green house gas (GHG) emissions and consumes currently over three times more energy per unit of gross domestic product (GDP) than for instance the EU (Garbuzova & Madlener 2012, 389). The most important Kyoto mechanism for Russia was the JI (Henry & McIntosh Sundstrom 2012) that is in practice project-based mechanism enabling project-based climate mitigation between two industrial countries and brings economic benefits especially through foreign direct investments (FDI) (Schmitz & Michaelowa 2005). It left the initiative mostly for corporations and investors, while the state was needed to establish institutions to govern the market and to implement the norms and rules of the KP. This process was not, however, politically neutral and depicted varying understandings between ministries and corporations. Yet, as Korppoo and Gassan-zade (2014, 225) argue regardless of various issues the flexible mechanisms were the key rationale for Russian participation in the first Kyoto period that ended in 2012.

Before the millennium most of the climate change cooperation of Russia occurred with the US not the European Union (EU) due to its bigger demand for carbon credits (Nikitina 2001). Due to its critical stance the country was able to negotiate for very low commitments for emission reductions originating from the decline of industrial production after the collapse of the Soviet Union. The target was set in practice to zero that implies Russian emissions will not exceed 1990 levels during the first commitment period 2008-2012 (Tynkkynen 2010, 180). Equally important was political bargain on behalf of the EU to support for Russian accession to the World Trade

Organization (WTO)[2]. The Russian decision to participate was not based on the rationale to avoid harmful environmental consequences of the climate change, but on economic and political benefits. It privileged the elites among business and state that are heavily dependent of fossil-fuel energy exports (Andonova 2008) that can be termed to form a 'carboniferous historical bloc', as it is heavily dependant on the use and trade of fossil fuels (Stephan 2011; Okereke & Matt 2014).

While in economic terms it was estimated that the Protocol would generate about 10 billion dollars as a result of emissions trading, JI projects and through increase of foreign investments (Tynkkynen 2010, 180). Regardless of these benefits, the domestic implementation lagged nearly until the end of the Kyoto commitment period and during the process the legislation governing it was changed three times. There were also all kinds of peculiarities in the process, such as using Sberbank, the largest Russian commercial bank owned by the state as the project auditor, while in every other country where JI projects were conducted this task was given for governmental agency. There was open support especially amongst business, environmental organisations and regional organs for the JI projects. However, throughout the timeframe the main policy field that pursued the most significant organisational and discursive power with the issue remained foreign policy and presidency (Andonova & Alexieva 2012; Korppoo and Gassan-zade 2014).

Using neo-Gramscian political economy approach of global environmental governance (Newell 2008) could bring important insights into the JI process in Russia, as it perceives power as three-dimensional and takes into account both state and non-state actors. In this approach the role of agency is problematized in International Relations (IR) up and beyond state-level and power is considered as strategic in the sense that it is magnified through a coordination of efforts of various actors in the economic, discursive, and organisational spheres; power is not simply additive (Levy & Egan 2003, 813). A focus on discourse that depicts linguistically how different actors align institutionally into a coalition around a certain idea (Hajer 1995) such as emissions trading, while in other issue areas same actors may have differing ideas on how to establish a certain policy is one of the key points. However, there are many practises in the JI process that were not openly debated due to formal and informal institutions (see Sakwa 2011) and therefore combining this with the analysis of economic and institutional levels that are in an interrelated relationship with ideational level that discourse represents enables to study its relationship with concrete practises.

This thesis is divided into two parts. The first part is dedicated to a description of contextual background and theoretical basis for the research. Section 1.2 provides the research questions and data used in this thesis. Section 1.3 discusses the general features of carbon trading, while 1.4 describes broader dynamics of Russian climate policy during the last couple of decades. Chapter

[2] Russia has been WTO member since 22 August 2012.

two introduces neo-Gramscian political economy approach on global environmental governance that provides the analytical framework. The methodology of Argumentative Discourse Analysis is defined in section 3.1 and is followed in the following sections with the description of data set.

The second part covers analysis and results. The analysis investigates discursive, material and organisational dynamics among Russian governmental agencies, business actors and civil society during the JI process. Chapter four will link the global development of carbon market with the Russian domestic debate in order to achieve a broader picture where the process is located. Next, chapter five moves to the debate towards first legal settings governing JI process between years 2004-2008. Chapter six deals in a similar fashion with the years 2009-2012. Chapter seven synthesises the discursive, material and organisational changes in the JI governance during 2004-2012 and links them with the neo-Gramscian approach. Finally, the conclusion summarises the results and implications of the study.

1.2 ***Research Questions, Methodology and Data***

Stephan (2011, 17) argues, "that emissions trading has become a hegemonic project with a global transformative character". In the case of Russia the key linkage with emissions trading proved to be the JI mechanism of the Kyoto Protocol. The deployment of this mechanism thus provides a fruitful case on studying how various actors in Russia from governmental agencies, businesses, and to environmental non-governmental organisations (ENGOs) aimed to stabilise politico-economic field. The investigation will focus on the 'political economy of global environmental governance' (Levy & Newell 2005) under the deployment of JI mechanism in Russia. The main focus is on how this mechanism has been deployed domestically and how non-governmental actors[3] influenced and were influenced by it. The leading argument is that already the design of the JI governance forces the analysis to move beyond state-level as the actors that deployed JI projects were firms, of all sizes, not only multinationals that have been more traditional source of interest in International Relations (IR) and International Political Economy (IPE). The dynamics of governance is complexified even more significantly with the participation of ENGOs, investors, project development consultants and banks, but also due to various state agencies.

Although there was clear economic incentive to establish governing structures for the JI as fast as possible, the laggard in the process arguably depicts political contestation between various actors in and between governmental and business levels. However, it did not disable establishment of coalitions that tried to influence higher political spheres. As it is already commonly known that

[3] In the context of Russia especially at the company level the separation between state and non-state is difficult in terms of ownership structure and political influence (See Sutela 2012). In this thesis non-governmental actors refer to actors that are not formal state agencies or ministries.

Russian governmental position on climate policy is difficult to influence because of the bureaucratic and authoritarian decision-making (Korppoo & Gassan-zade 2014), therefore the focus is moved on the non-state level to investigate possibility towards a transformation to low carbon economy. The aim is thus to study how the ideas, concepts and categorizations linked to the carbon market are produced, reproduced and transformed in the Russian debate among corporations, environmental organisations and state agencies and how they give meaning to physical and social realities identified in the JI process.

This thesis draws from a neo-Gramscian political economy approach on global environmental governance developed by Levy and Newell (2005) and from more general neo-Gramscian studies of power (Cox 1981, 1983, 2002; Gill 2008). To operationalize this into the study of JI governance in Russia argumentative discourse analysis developed by Hajer (1995)[4] provides the methodological toolkit. Empirically, the main concern is to trace changes in power constellations in a historical moment and how they coordinate their strategies into a historical bloc consisting of economic, discursive and organisational levels of power. Therefore a broad set of data is investigated including media analysis between the years 2004-2012, six interviews with the experts of JI field, position papers from the key stakeholders combined with a review of previous research. Main concern of this thesis is especially the role of actors beyond state such as companies, financial firms and environmental organisations and how they interact with governmental bodies and vice versa.

The leading questions that will guide the analysis of JI governance in Russia are the following:

In what ways the JI process sustains the hegemonic position of carboniferous historical bloc dependent of the fossil fuel based trade?

How the ideas and practices of the Kyoto regime constitute and constrain the development of climate change governance in Russia?

What kind of discursive, material and organisational capabilities Russian governmental bodies, business, and civil society pursued to stabilise the JI policy field?

In order to understand the context where JI projects in Russia evolve one needs to understand the specific historical relationship between state, civil society and business, but also more structural constraints such as the construction of Russian economy and ideas on how Russian society should be developed. In addition, organisational changes in governmental agencies, such as

[4] Hajer mostly applied his framework to study the growing popularity of discourse of ecological modernisation. However, it must be noted that applying more broadly Hajer's and others' contribution of ecological modernisation into the Russian context is questionable, as for instance Kotilainen et al. (2008) point out that the theory is rather Euro-centric.

abolishment of Goskomekologiya[5] are vital (See Nikitina 2001). On the contrary, the activities of civil society organisations are restricted especially for those who are critical of official government stance (Henry 2010). Companies share same constraints, but to some extent they have more possibilities. For instance, companies that are located in 'strategic sectors' such as natural resources or are 'national champions' are more likely to have more lobbying power towards the state agencies than for instance smaller scale firms interested in the deployment of renewable energy sources. However, bigger companies are also forced to account governmental interests more attentively (See Sutela 2012; Kangas 2013). Finally, the varying organisational capabilities among institutions is significant to acknowledge, as especially state organs responsible of issues related to environmental governance are weak compared to institutions that enhance economic growth and therefore are capable to pursue their own goals more effectively (Newell 2008).

1.3 The Global Governance of Carbon Markets

> *"The problem of measuring and pricing something that is essentially not there is one of the significant technical difficulties in the construction of the global carbon market"*
>
> (Layfield 2013, 910).

The focus in this section is on the market-based mitigation measures, as they have received the most significant attention globally and locally in Russia. Newell and Paterson (2010, ix) argue, "in the short- and near-term, responses to climate change will be shaped by the way that capitalism currently works". They define the governance based on carbon markets as *climate capitalism*, due to the basis on market principles that establish a price for carbon, i.e. by making costs of carbon emissions explicit to those polluting (ibid.). Kyoto mechanisms as well as European Emissions Trading Scheme (EU ETS) and various domestic mechanisms are based on practices that aim to govern carbon emissions in some way or another through market transactions (Paterson 2010, 351). The experiences of the climate policy show that so far strategies being developed are "determined by the dominance of financial actors, free-market ideologies, global inequalities, and rise of network and partnership forms of organization (Newell & Paterson 2010, 11)". It could thus be argued rise of neo-liberal ideology in global economy advocating for privatisation and free trade since the early 1970s (Gill 2008, 123-149) enabled market-based mechanisms to be perceived as the most effective way to govern climate change mitigation (See Newell & Paterson 2010; Stephan 2011). However, ideas, norms and rules linked to neo-liberal ideology do not necessarily gain equal

[5] Goskomekologiya is the only organisation so far in Russian history that could be somewhat considered as a counterpart for ministries for environment in industrialised countries. See also section 1.4.

weight all over the world and may be interpreted in varying ways. This can create tensions between actors.

The main significance of the KP is setting binding targets for emission reductions for 37 developed countries and a commitment period for 2008-2012[6] for monitoring these targets (UNFCCC 2013a). The rationale for including only major industrialised countries was based on the principle of "common but differentiated responsibilities" (UNFCCC 2005). In other words, acknowledging that every nation should commit itself to the principles of the Kyoto Protocol, while developed nations have the main responsibility due to historical reasons, as industrial emissions started in these countries (Lovell & Liverman 2010, 257). The Kyoto principles are set in various articles. Article 6 sets principles for the JI, Article 12 for the CDM and Article 17 for the IET. More detailed procedures for the JI were established at the COP7 in Marrakech in 2001, and they are often referred as "Marrakech Accords" (UNFCCC 2001). These procedures were later confirmed at the first Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at Montreal in 2005, when also the Joint Implementation Supervisory Committee (JISC) was established that is the supervising body of the mechanism (Shislov et al. 2012).

But what actually are carbon markets? How can one trade something that cannot be seen? One way to describe this phenomenon is to define it as a *practice* (Lederer 2012b; Paterson & Stripple 2012) where carbon becomes a fictitious commodity in a Polanyian sense (Polanyi 1957). In financial sense it means that it is a totally standardised and commensurable unit, an asset class as money, oil or gold (Paterson & Stripple 2012, 563). The commensuration is, however, not only a technical process but has strong economic and political implications. An example of this is for instance the policy of not to accept reductions generated through deforestation into the EU ETS (Ervine 2014). In addition this process requires tools of standardisation and methodologies of monitoring, reporting and verification that are also of critical importance, but also infrastructure has to be developed in order to establish market exchange. The result of this is that specific agencies have gained power in addition to verifiers and validators. These units are then stored to registries and transactions logs that may also become place for politics (Lederer 2012b, 649). The demand and supply for carbon allowances and credits is not natural in this market as in schoolbook example, and rather it is driven by policy in various countries and by international agreements (Paterson & Stripple 2012, 579).

[6] At the early stages of the JI project, there were also discussions that some emissions reductions could have been generated already before 2008 (see Schmitz & Michaelowa 2005), but mostly due to laggard in domestic institutional development it never occurred.

Type of market	Name of the market and abbreviation	Traded unit and abbreviation
Cap and trade	International Emissions Trading (IET) European Emissions Trading Scheme (EU ETS)	Assigned Amount Unit (AAU) European Union Unit (EUA)
Baseline and credit	Joint Implementation (JI) Clean Development Mechanism (CDM)	Emissions Reduction Unit (ERU) Certified Emissions Unit (CER)

Figure 1: Markets and Units[7]

The first type of market involves the issuance of allowances or permits, and thus creates scarcity in rights to emit carbon as the basis for market exchange by setting a cap for emissions. These are emissions trading, or 'cap and trade' systems. They include the Kyoto Protocol's IET and the EU ETS. The EU market is the largest such market by far, with its allowance, the European Union Allowance (EUA), being the leading form of carbon currently traded (Paterson 2010, 351). In the case of the KP IET, the units traded are named as Assigned Amount Units (AAUs), while in the EU ETS the equivalent unit is European Union Allowance (EUA). In comparison in the project-based mechanisms of the KP JI projects generate Emissions Reduction Units (ERUs), while CDM projects generates Certified Emission Reductions (CERs). Before the EU ETS was started in 2005, a so-called linking directive that enables selling of ERUs and CERs to the EU ETS was signed (EU Commission 2004). It also significantly broadened the scope of credits to be obtained to a significantly larger scale than the KP. The directive for instance enables linking emissions trading systems that are based in countries or regions that are not members of the Protocol such as Californian ETS[8]. This is also the feature that basically could have established the EU demand for ERUs generated by JI projects in Russia, but due to EU country focus on CDM it had barely any role[9]. In order to manage and collect these commodities a registry is required that governs regulated entities, i.e. either states or firms. The constructed infrastructure then develops a capacity to create credible claims about emissions levels that enables governing actors to establish appropriate obligations and enforcement. Then a system of allocations is established that is usually based on direct allocation or auctioning (Paterson & Stripple 2012, 573-5).

[7] Only markets relevant for this thesis are covered here. For a broader overview of cap and trade and offset markets see Newell & Paterson (2010, 94-107).

[8] Such a broad scope could be explained with the fact that the KP was not in force at the time and the EU thus envisioned that this provision could stimulate broader participation in absolute emissions caps (Golub et al. 2009, 444).

[9] The ERU demand is good to divide between EU ETS and Kyoto IET as the demand to achieve country compliance for the Kyoto Protocol remained low throughout process. First, prices collapsed in the EU ETS and provided little incentive to invest on project-based mechanism. Second, for most of the EU countries it was more pragmatic to focus on CDM, as it coinsided with their development policy goals. Shishlov et al. (2012, 15) point out that JI became a largely private sector offsetting mechanism for the EU ETS rather than an instrument for the Kyoto compliance for countries.

The second type of market refers to those that involve the creation of credits through investment in projects, which reduce emissions compared to a measured baseline. These are known as carbon offset or 'baseline and credit' markets, as most take the form of purchases (of credits from forestry, energy efficiency, renewable energy projects, and so on). They include both the CDM and JI parts of the Kyoto Protocol, generating Certified Emissions Reductions Units (CERs) and Emissions Reduction Units (ERUs) respectively, and the 'voluntary carbon markets', where firms and individuals can engage in varied forms of trading and investment to address their carbon emissions (Paterson 2010, 351). In offset projects, an investment in project is based on a claim to reduce carbon emissions. The focus is in the development of methodologies to demonstrate 'additionality' of the project. This refers to an establishment of a counterfactual that is a claim based on an imaginative exercise of creating a baseline (Paterson & Stripple 2012, 576). This exercise requires imagining the future emissions without an existence of a project and development of scenarios about 'the business-as-usual level', that is the highest possible level of emissions that would have existed in the absence of the project (Schmitz & Michaelowa 2005, 86). The result of these varying socio-ecological practises is a simple unit equivalent of a tonne of carbon dioxide (Paterson & Stripple 2012, 576).

It is not only carbon dioxide emissions that are to be reduced, but also five other greenhouse gases: methane, nitrous oxide, sulphur hexafluoride, hydrofluorocarbons (HFCs), and permafluorocarbons (PFCs). In order to achieve a reduction these gases are commodified for a global trade. These gases or to be more precise their emission reductions are, however, not traded as such and rather they are converted to carbon dioxide equivalents. As a result of this conversion, for instance, a ton of HFC-23 is equivalent to 11,700 tons of carbon dioxide (Ervine 2014, 735). This is criticised under the basis that it also creates a challenge to collect emissions incorrectly as GHGs have different radiative properties and residence times in the atmosphere that makes it difficult to transform these emissions into a single carbon metric, i.e. carbon equivalent (Spash 2010, 174). Having described the complex practices that the creation of carbon markets require, it is no wonder that trading has not always occurred as expected. It is good to keep in mind that carbon market is a political construct and the commodities are not comparable to apples in a supermarket of which in principle any human being has a general grasp. To make decisions on the guidelines for carbon trading requires a significant amount of knowledge that is arguably important when looking at the both state and non-state perceptions on the Kyoto mechanisms.

1.4 The Development of Climate Change Governance in Russia

Since the collapse of the Soviet Union the key concern of the Russian government has mostly been economic recovery and development with high reliance on fossil fuels, while environmental

regulation and treaties have been low priority[10] (Henry & McIntosh Sundstrom 2007, 47; Andonova 2008, 617). The low interest has also translated into global climate negotiations as well to negotiating favourable terms instead of really aiming to mitigate GHG emissions (Henry & McIntosh Sundstrom 2007), and thus the Russian governmental practices have been considered as "window-dressing" (Kokorin & Korppoo 2013). As a consequence, Russia has not been actively involved in the development of mitigation mechanisms or institutions governing global climate policy, such as the UNFCCC, although at the same time the foreign policy concerns coupled with economic policy incentives have been dominating Russian climate policy discourse (Tynkkynen 2010; Andonova & Alexieva 2012). Thus the domestication of climate policy in material and organisational terms has remained limited and is most visible in discursive level among government although some policies were implemented, while business and NGOs have expressed the strongest support before and after the Kyoto process Still, there is barely any concrete governmental level climate policy, but rather secondary impacts of policies for instance in forestry or municipal heat supply are its closest epitome (Andonova & Alexieva 2012; Henry & McIntosh Sundstrom 2012; Kokorin & Korppoo 2013; Korppoo & Gassan-zade 2014)

It is vital to account that 'ecological modernisation' (Hajer 1995), as a global idea has not emerged as a discourse in Russia especially in terms of advocacy of scientific knowledge and environmental protection (See Kotilainen et al. 2008). Andonova (2008, 491) notes that at the global level there is increased scientific consensus on climate change that stresses for instance threats for the northernmost regions of the hemisphere that also concerns Russian territory significantly. Instead, Wilson Rowe (2009, 607) argues the Kyoto Protocol was mostly perceived as an economic mechanism and the stress was in "the potential benefits or drawbacks it could have on the Russian economy". Surprisingly, major energy companies such as Gazprom, United Energy System (UES), and Lukoil and the Russian Union of Industrialists and Entrepreneurs (RSPP) that can be all argued to represent the carboniferous historical bloc in Russia[11] allied to support the Protocol strategically that is a totally opposing position compared to many other industrialised countries where a significant amount of related companies and their alliances have opposed it (Henry & McIntosh Sundstrom 2007, 53-54; See also Levy 2005; Stephan 2011). These are also one of the most internationalised Russian firms and pursue significant partnerships with their European counterparts and have thus a need to retain a "green" image (Buchner & Dall'Olio 2005,

[10] Right after the collapse of the Soviet Union the environment was at the top of the domestic priority but towards the end of the decade economic priorities gradually outweighted environmental ones, due to stricter focus on economic growth (Nikitina 2001, 290).

[11] There were naturally also companies opposing the Protocol such as Norilsk Nikel and Jukos, while international energy firms such as BP tried to change the positive stance of their Russian counterparts (Henry & McIntosh Sundstrom 2007, 54).

367; Panitbratov 2012). By focusing on the practical implementation these actors also tried to depoliticise the debate (Buchner & Dall'Olio 2005, 367).

Russia but also other countries with the Soviet legacy such as Ukraine managed to receive excess carbon allowances (AAUs) that were result of bargaining in the Kyoto negotiations where the baseline year was set to 1990 when the industrial processes were still up and running in the former Soviet Union. Politically especially the EU was against buying these units, as it wanted "real" emission reductions. The 'hot air' cannot be considered because of its meaningless role in terms of actual emissions reductions, as they were historical sources no longer operational and their trade could not impact current emissions sources (Spash 2010, 179). The key interests for Russian actors were instead at the governmental level the support for the WTO accession by the EU, at the business level (but also at the governmental level) the technological modernisation and profits achieved by the JI projects, while NGOs stressed the ecological impacts of the Kyoto mechanisms. Compared to the AAUs many European governments tried to increase Russian interest on the JI mechanism, but before 2005 it succeeded best among Russian companies as some of the key companies had generated carbon inventories and established JI projects with many Western investors already from the early 2000 and had gained significant technological expertise. At the governmental level the institutional design in 2004-2005 was still in the making, regardless of business demands (Andonova 2008; Henry & McIntosh Sundstrom 2007; Golub et al. 2009).

Although progress is more evident in climate policy than in environmental policy more general (Nikitina 2001) its development with regard legislation and institutional capacity cannot be argued to be straightforward. At the governmental level, Interagency Commission on Climate Change (ICC) was established in 1994 to be responsible for regulation of climatic issues between governmental agencies and to advice for the preparation of climate policy in domestic and international levels, including approval of AIJ/JI projects. The organisation included 32 members not only from ministries but also from science and business (Gazprom and the UES), but the decision-making power was still kept for the president. The power of organisation was limited, as it could only design and coordinate work (Buchner & Dall'Olio 2005, 360). The Russian Federal Service for Hydrometeorology and Environmental Monitoring (Roshydromet) took the charge of the agency first, while the Ministry of Economic Development and Trade (MEDT) became involved as a co-chair in 1999 after revising legislation (Buchner & Dall'Olio 2005, 360; Korppoo 2005, 115). The ICC had however issues with its authority when Roshydromet was in charge, as it is first and foremost a scientific agency, not political-administrative and therefore the agency did not have much organisational power to govern projects such as JI activities. Therefore, the MEDT has been the key agency at Russian domestic level in charge of climate change related issues since 2002 (Andonova 2008; Korppoo 2005, 116). The problem of authority, however, did not fully

disappear due to varying perceptions of climate policy among different ministries working with the JI projects and monitoring (Buchner & Dall'Olio 2005, 360).

Not only giving the authority to MEDT was the reason why economic rationale has dominated Russian climate policy discourse, but also simultaneous restructuration and abolishment of institutions that are concerned with environmental policy has equally brought an effect on this power shift. Especially the abolishment of the State Committee for Environmental Protection (Goskomekologiya) that participated in the ICC brought significant effect (Buchner & Dall'Olio 2005, 360). Its responsibilities and personnel were folded into the Ministry of Natural Resources. In this new location understanding of ecological issues refers to the "rational" use of natural resources and thus the goals of this change could be to reduce environmental regulation of industry, encourage natural resource development and attraction of FDI (Peterson & Bielke 2001, 65). With regard climate policy this weakened expertise on emissions inventories but also on international climate change negotiations. After the Kyoto Protocol came into force the Russian government established a National Action Plan that included creation of an Interagency Commission on the Kyoto Protocol that in practice continued the work of the ICC and was lead by the MEDT and kept same actors involved. The aim was essentially to develop a regulatory framework for the deployment of the flexible mechanisms. The vague division of responsibilities between agencies, but also at times multiple ministries often assigned a single task resulted to battles and thus the framework was established only in June 2007, only six months before the start of the Kyoto commitment period (Andonova 2008, 500; Henry & McIntosh Sundstrom 2007, 61).

In addition to the Action Plan and legislation governing practical deployment of the Kyoto mechanisms, namely the JI, the progress with regard domestic climate policy was limited. The clearest epitome of domestic climate policy during the Kyoto process 2004-2012 was the publication of the so-called Climate Doctrine (Russian Federation 2009). This document, however, did not provide any strong commitment and was more likely addressed for international public before the COP15 in Copenhagen, arguably one of the key climate events in the close history. The document shows that the Russian leadership acknowledges climate change is a real problem and can be taught at school, but does not provide any binding guidelines in terms of mitigation and adaptation, deployed mechanisms, or even for international cooperation (Kokorin & Korppoo 2013, 3). It was rather a guideline for the deployment of future climate policy (Garbuzova & Madlener 2012, 395). Its follow up was a Plan for Implementation (Russian Federation 2011a) that left also a lot to be desired. It was originally scheduled to be published in 2010, but was rewritten, as the first draft was considered too radical for instance in terms of promising financial assistance to developing countries. It did not either establish any new policy guidelines, but was rather a loose compilation of existing federal programmes. Rather these two documents have been used in

international arenas as examples of Russia's efforts of climate change mitigation (Kokorin & Korppoo 2013, 4).

With regard climate policy the government has not been pressured much from the civil society, excluding environmental NGOs (ENGOs). Henry and McIntosh Sundstrom (2012, 1298) argue that Russian semi-authoritarian context is more tightly linked with the political priorities of key state actors rather than non-state actors. Especially the recentralisation of state power has made it more difficult for ENGOs to operate (Henry 2010, 758). Yet, as a consequence of increasing transnational operation of the NGOs the Russian state has become more integrated in international environmental regimes that can be seen with the ratification of numerous international environmental agreements including the Kyoto Protocol (ibid. 761). During the Kyoto these organisations with international allies established a campaign for the Russian government to ratify the Protocol, but also to overcome the power of climate change sceptics with independent research, and with the education of public (ibid. 770). Their power remains limited, as policy-making process in Russia does barely involve discussion with organised groups or takes public opinion into consideration (Henry & McIntosh Sundstrom 2012, 1315). Beyond the governmental level the voices to be heard in climate change debate mostly come from business in addition to environmental NGOs. This 'climate coalition' does not have united incentive, although it is aligned under the goal for climate action. This coalition has lobbied for the aforementioned governmental climate policy documents, but also the JI projects. The members are from science, NGOs and from environmental committees of key businesses, but also civil servants in the MEDT and MFA, presidential administration and members of the Russian delegation for UNFCCC meetings form the coalition. However, it is not considered to be much internationalised and not to promote interests of other countries or firms. It yet lacks discursive and material power due to lack of finance and ability to gain media attention (Kokorin & Korppoo 2013, 6).

To look briefly at the material dimension it worth to note that Russian economy is not only heavily dependant of export of oil and gas, but it is also highly energy-intensive. In addition, the primary energy production is not energy efficient either, as 45 per cent is wasted during the process (World Bank 2008). From a climate policy perspective it is even more significant to address that in 2008 82 per cent of GHG emissions in Russia originated from the energy sector (UNFCCC 2010 cited in Tynkkynen & Aalto 2012, 93). One of the goals of the Kyoto Protocol is to increase the use of renewable energy sources and especially in the case of Russia there is a potential for this, as only one per cent of energy production comes from renewables[12] (Tynkkynen & Aalto 2012, 93). Investments on energy efficiency could bring significant emissions reductions and introduction of

[12] Nuclear power and large-scale hydropower are excluded (Tynkkynen & Aalto 2012, 93).

renewables could increase the positive effect even more. The short-term economic benefits of selling Russian fossil fuel based energy are not sustainable in the long run, as oil and gas reserves are likely to run out, but also simultaneously globally demand and production of renewable energy is increasing (See Stephan 2011).

Political power, economics and finance are still mostly centralised in Moscow. New ideas must be introduced through centre of the power, while cities, municipalities and even federal states do not have finance or competence to make decisions for renewing the infrastructure needed for a low carbon economy. The rich natural resources of Russia, in combination with highly subsidised energy, have so far kept incentives low for climate change mitigation. Changes in this thinking have started to appear, as policies have been adopted for diversification of Russian economy away from the dependence on energy exports and for improvement of energy efficiency. However, it is difficult to find evidence that this would be a result of stronger commitment towards emissions reductions, as first of all the targets are rather modest and any kind of modernisation is considered to bring positive environmental outcomes.

At the global level, Andonova and Alexieva (2012, 623) note that the Russian government holds a position "that its contribution to climate mitigation is disproportionate compared to other emerging countries, which have been exempt from binding commitments". This is justified with the statistics that show Russia is the only emitter that has managed to keep its emissions below 1990 levels. Also compared with China or the US that Russia considers its counterparts in climate negotiations the increase of emissions has been low (ibid.). Thus, persuading the Russian Federation requires increased commitment from other significant emitters, as the government has so far refused to continue Russian participation in global climate agreements following the Kyoto Protocol (Korppoo & Gassan-zade 2014). In addition the key concern of Russian top-level leadership and analysts is argued to be rather the impact of emissions mitigation policies of other countries, not the climate change itself. Both government and business are also against issues such as reporting emissions data, due to possibility of increase of bureaucracy (Kokorin & Korppoo 2013, 4-5). At the level of corporate governance only multinational corporations or corporations whose activities pose severe environmental threat have integrated environmental and climate issues to their strategies, but even their involvement mostly remains in the discursive sphere such as in branding. These limits to change the status quo are to be faced theoretically as well. The following chapter thus continues this discussion by moving into broader limits and possibilities of global environmental governance and its relationship with private sector.

2. **Theoretical Framework**

Carbon markets have developed as a dominant part of climate policy mitigation (Stephan & Paterson 2012, 545) and they have brought as a consequence new actors, processes and practices that require special attention. Business is especially considered as one of the key political actors in negotiating, structuring, and implementing environmental policies at domestic and global levels (Levy & Newell 2005, 47). In order to account for this theoretically, the ideas of Antonio Gramsci are used in an interdisciplinary, yet indoctrinaire way by fusing International Relations (IR) with theories of management and organisation in the context of environmental governance. David Levy and Peter Newell (2005) define this approach as 'political economy of global environmental governance'. In this thesis the framework is situated in the Russian context by focusing on the JI mechanism that turned out to be the key factor linking Russian business with the global carbon market. It has not been applied to this context before, as previous studies have mostly focused on activities in the EU or the US (Stephan 2011; Levy & Newell 2005). This section will first discuss Gramsci and his intellectual heritage. Then the discussion moves on to global level by briefly introducing more general studies of power by Robert Cox (1981, 1983 & 2002) and Stephen Gill (1995 & 2008) that developed a critical approach to International Relations (IR) and International Political Economy (IPE). However both Cox (2002) and Gill (2008) acknowledge the neglect of environmental issues in their studies, and therefore the climate and environmental governance focused works of Levy (1999, 2003 & 2005), Newell (2005, 2008 & 2012) and Stephan (2011) amongs others add an important contribution.

2.1 Gramsci and International Relations

Antonio Gramsci (1891-1937), the former leader of the Italian Communist Party is one of the key influences in contemporary critical theory in social sciences including IR and IPE. His most relevant work remains "Prison Notebooks" that is based on fragmentary notes he wrote in a prison during Fascist rule in Italy between 1929 and 1935. Gramsci's writings focused mostly on the relationship between civil society and state and on the relationship of politics, ethics, and ideology towards production (Cox 1981, 162). The central focus of the theory is on organisations and strategy, while power is three-dimensional and consists of organisational, economic, and ideological spheres that influence social change through processes of coalition building, conflict, and accommodation (Levy & Egan 2003, 803). Levy and Egan (1999, 3) point out that, "[a]s the structures of governance in Western societies tended to be based on consent rather than coercion, the focus was centred on the role of popular culture in sustaining an ideological system". Gramsci analysed situations in terms that he called the 'relations of force' that were operating in various

spheres of society that he called 'complexes of civilisations'. His interest was in how those relations were structured to create limits and possibilities, in particular for progressive and revolutionary forces, then and now. The most important of the relations of force was the political, since it involves levels of consciousness and the question of hegemony (Gill 2008, xxi-xxii).

Gill (2008, 17) situates Gramsci's ideas as representing 'historical materialism', as both Gramsci and Marx considered capitalist systems to be historically specific rather than natural or eternal. However, Gramsci was critical towards Marx and mainstream scholars (of his time) and rejected deterministic and economistic interpretations (that are referred to as 'historical economism') proposing that ideational superstructures were mere reflections of the economic base. In contrast to these interpretations, Gramsci considered the domain of culture, ideology, and discourse to be somewhat autonomous of the material base of society (Levy & Egan 1999, 3). Knowledge and consciousness are vital in establishing political agency among groups that have some common interests, while organisational capability combined with ideological support from "organic" intellectuals is equally important (ibid., 4). Influences for Gramsci's political theory do not stem only from Marx, but also from Lenin, Machiavelli and Croce. As Ekers et al. (2009, 288) argue that Gramsci's aim was to create a critical analysis that would both explain the current situation but also how to change it. The character of Gramsci's project was therefore transformative and was aligned with radical politics. In terms of political strategy Gramsci recognised the importance of long-term efforts to shape and influence the institutions of civil society and the state that are dedicated to cultural production, namely the media, education, and the church (Levy & Egan 1999, 3).

Gramsci's ideas were revived in IR and IPE in the 1980s with the works of Robert Cox (1981, 1983) and Stephen Gill (1989 with David Law). They added 'neo' to this approach, as Gramsci is not their only influence; Gill and Cox are also influenced by some of the concepts of Foucault[13], Braudel and Polanyi. In addition, Cox's interest was not only in bringing non-state actors to the study of IR but to transform the discipline as well by advocating critical approach. Levy and Newell (2005) have developed the neo-Gramscian approach further to global environmental governance by taking influences from management studies, linking Gramscian ideas of political strategies with corporate strategies that are considered equaly political, not simply economic. Levy and Newell (2005, 55) argue thus that "Gramsci's contribution to international relations, and to our understanding of environmental governance in particular, lies less in his

[13] The post-structuralist discourse and hegemony theory by Laclau and Mouffe (1985) establishes more in-depth synthesis between Gramsci and Foucault. For a discussion of its application to global climate politics and comparison with governmentality theory of Foucault see Stephan et al. (2013).

scattered notes on international politics and economics, and more in the concept of hegemonic formations as complex dynamic systems comprising overlapping and interpenetrating subsystems."

Cox gives a broad critique for both realism and neorealism. He criticises realism for its lack of historicism and lack of understanding of change in international relations and on the other hand neorealism for its emphasis on rationality, internationalism of values, inability to see structural changes, concern only for great power relations and inability to understand the role of civil society and the role of production (Cox 1981, 130-134). Stephan and Paterson (2012, 553) stress the importance to move away from rational choice when discussing the role of the actors and suggest that they should be instead understood as "performing particular identities, embedded in either institutional settings or actor–networks that shape their activity, or via the notion of practice which emphasises routinized actions". Therefore when applying critical theory institutions and social and power relations are not to be taken for granted but rather questioned how they came about and how and whether they may be in a process of change (Cox 1981, 129). Gill (2008, 17) argues that historical change is a consequence of collective human activity and therefore both history and social change is a cumulative, endless, but non-repetitive process. The importance is in the 'limits of the possible' that are not fixed, but rather exist dialectically in a given social structure (ibid.).

Agnew (2005) for instance, draws from Gramsci, but adds a more geographical and geopolitical perspective on IPE and studies how practices of marketplace society consensually shape foreign and economic policies (in the US). He generally argues with the neo-Gramscian approach, but accuses Cox of economism that he also personally has acknowledged (Cox 2002). Levy and Newell (2005, 53) also align with the same critique and note that the works of Cox provide to some extent a deterministic reading of Gramsci and perceive governance as top-down structure. They also agree with Germain and Kenny's (1998) critique towards neo-Gramscian scholarship of neglecting processes of resistance and acknowledge this in their framework with the focus on business resistance.

Both more traditional accounts of Gill, Cox as well as Agnew are mostly focused on global transformations. The focus in this thesis is, however, in consensual domination of market-based mechanisms at the policy and market levels and therefore Levy, Newell, and their colleagues provide an important addition. The broader structural account is vital, as policies do not develop in a vacuum and therefore the change of authority in global power in favour of neo-liberal policy is important to discuss. In addition, the domestic sphere needs to be equally acknowledged theoretically, as domestic power relations define the concrete settings of JI process. Richard Sakwa (2011 & 2014) has applied Gramscian concepts to the Russian politico-economic sphere and therefore it is also logical to draw from his work. It needs to also be acknowledged that he does not

theorise the interplay of domestic and international forces or environmental governance, therefore, some synthesis is required between the works of Sakwa and Levy and others.

2.2 *The Political Economy of Global Environmental Governance*

The Kyoto Protocol established a framework that gives business a key role in establishing emissions reductions, therefore theoretical frameworks should arugably "place the dynamic relationship between states and markets centrally, reflecting the fact that global environmental governance cannot be understood separately from broader shifts in authority in global politics (Newell 2012, 41)". The definition of Levy and Newell (2005, 2) for global environmental governance as "political, economic and social structures and processes that shape and constrain actors' behaviour towards the environment" is the starting point of the thesis. This concept is based on rule creation, institution building, monitoring, and enforcement, but it also refers to norms, expectations and social understandings of acceptable behaviour. The political economy is equally important, as it is relevant to look at the broader global structures:

> *"The location of states in a dynamic global capitalist economy, faced by the economic discipline of mobile capital and financial markets, may severely constrain the range of policy options considered viable for tackling environmental problems. The degree to which different actors are influential in such deal-brokering, and therefore an understanding of why some outcomes prevail over others, requires an understanding of the different dimensions of power not just within regime, but in multiple political, economic and social sites within the global political economy "* (Newell 2005, 39).

The concept of governance is thus broader than the concept of regime in mainstream neoliberal or neorealist accounts "defined as principles, norms, rules, and decision-making procedures around which actor expectations converge in a given issue-area (Krasner 1982, 185). Furthermore, these accounts also expect that states will join international regimes simply because of the rationale that membership would outweigh the costs (Keohane 1982, 331). It holds true that also in the case of climate change an issue-specific international regime has been created in the case of the Kyoto Protocol, but it does not govern every aspect of climate policy or consist only of state activities. Levy and Newell (2005, 5-6) contrast the traditional approaches due to their emphasis on state, and suggest to move attention to the complexity of political bargaining, compromise, and alliance formation among firms, industry associations, NGOs, state agencies, and international organisations. This is the microstructural level of a given regime. Simultaneously, at the macrostructural level regime formation is constrained by production relations and ideological

formations (Levy & Newell 2005, 48). Okereke et al. (2009, 60) add that numerous activities inside governance shape policy through on-the-ground implementation, although the authority is not necessarily technically speaking 'formal'. Therefore the mechanisms used in climate policy are reflection of the powerful actors, but are not necessarily 'scientific' or 'effective' (Wittneben et al. 2012, 1437).

Gale (1998, 277) argues that the neo-Gramscian approach stresses the ideological dimension of international regimes; they do not express the interests of the international community as a whole, as traditional regime approaches argue[14]. This approach recognises the difficulty of the accomplishment of institutionalisation of progressive norms and principles, if they bring negative effects to powerful domestic and international commercial interests (ibid.). International regimes always modify structures and processes of governance in particular ways, but they do not necessarily produce environmentally good outcomes (Levy & Newell 2005, 4-6). Structures and processes surrounding regimes, however, develop asymmetrical outcomes, not only for states, but also for other actors involved in governance and therefore they have varying effects on trade and investment, prices and profits, and employment and wages (ibid. 6). Firms, banks and related actors and their investment decisions are equally political and their role is instrumental in defining the forms of action and practices in the neoliberal global economy (Newell 2008, 510). A study of 'limits of the possible', i.e. how "particular environmental practices are embedded within broader relations of political and economic power (Newell 2012, 58-59)" provides broader empirical perspective. With regard to emissions trading this process can be understood through the relationship between economic forces affecting climate change and political coalitions and their institutionalisation assuming the responsibility for achieving emissions reductions.

Gill (2008, 124) portrays the contemporary form of global economy containing a more 'liberalised' and commodified set of historical structures that has emerged especially since the 1980s. This new 'common sense', i.e. "shared perceptions and experience of the world" has emerged as cultural transformation in the structure and language of social relations into 'market civilisation' that is based on various transformative practices such as a myth of capitalist progress engendered in cultural, ideological and mythic forms. Market civilisation is governed by discourse of neoliberalism and expressed in practices between business and the state that are coordinated with the use of market discipline and political power (Gill 2008, 124-125). Harvey (2007, 2) argues that "[n]eoliberalism is in the first instance a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and

[14] For a comparison on realist, liberal and critical approaches on global environmental change see O'Brien and Williams (2010, 344-373).

free trade." In this paradigm, states should support the development of these practices and on the other hand, if the market does not exist it should be created with the help of the state. After having achieved it, the state should keep its involvement to a minimum, as the state does not possess enough information to answer to market signals (Harvey 2007, 2-3). This type of 'common sense' also enabled practices of climate capitalism to become dominant in climate policy.

When neoliberalism institutionalises, it becomes part of 'new constitutionalism' that refers to structural change at the macro level of power into partially legal or constitutional change. In this framework the responsibility of governments to markets is also narrowed to implementation of the needs of actors operating in the bond markets and to fulfilling the demands of Bretton Woods organisations. Neoliberalism is a political project that aims to make transnational liberalism as well as liberal and democratic capitalism as the only possible model for development. In new constitutionalism reforms are usually made quickly rather than democratically and efficiency of market, discipline, trust, credibility of economic policy, consistency, and limiting of democratic decision-making are emphasised. In this framework significant economic factors should also be placed outside of influence of politicians and ordinary citizens (Gill 2008, 172-173).

Ruggie (2004, 519) argues that a global public domain is emerging that is an "institutionalized arena of discourse, contestation, and action organized around the production of global public goods" and where interaction occurs both between state and non-state actors. However, states still remain the ones that are mostly responsible for establishing institutional settings for emissions trading and therefore good regulation is vital in order to make it function properly (Lederer 2012, 526). In addition, regardless of the unrealibility of the state due to embedded networks of power and interests that it needs to be accountable and respond to, it still pursues a level of authority and power that is almost impossible to gain differently (Newell 2008, 527). As corporations and to some extent environmental NGOs take responsibility for the actual implementation of state policies, they have an interest in the development of such mechanisms and are likely to lobby for their desired norms and values (Levy & Egan 2003). The extent of lobbying possibility is, however, naturally contingent of diverse relations of force at all levels inside nation states and further complicated by the interplay of international and national forces, as Gramsci (1971, 182) argued.

It is states that sign accords enabling carbon trade and enable capital mobility, but there is interdependence between state and firm; states need firms for the creation of growth and employment. This requires regulative and administrative structures that lead to a paradoxical situation of simultaneous deregulation and reregulation. This can lead to tensions, for instance, across governmental agencies and departments inside the same state (Newell 2005, 36). In addition, how the processes of erosion or reconfiguration of state occurs depends significantly on the state in

question. The state is not a unitary actor and on the other hand companies (and NGOs) are better connected with some parts of the state and this also extends into the international sphere. NGOs on the other hand may strategically change their attention from confrontation with a state to a partnership with business actors (ibid.). This should not be studied uncritically as a harmonious interest, but as an attempt to achieve legitimacy and influence among civil society (Levy & Newell 2005, 59-60). Finally, at the ministerial level, ministries responsible for environmental issues in stronger states have good engament with global decision-making processes of their issue area and are well connected to relevant epistemic communities. However, ministries of trade and finance that are often in competition with the aforementioned ministries over environmental policies linked with budgetary or trade policy are equally well integrated with the institutions of the global economy such as the WTO. The difference is that the latter ones pursue greater authority than their environmental counterparts at the global level (Newell 2008, 514), such as the UNFCCC.

Businesses can also directly and indirectly engage in global processes. This can occur individually, but firms may also establish sectoral and issue-specific organisations, through which they have national, regional and international scopes in their activities (Levy & Newell 2005, 3-4). Newell (2008, 524) argues that businesses should not be considered apolitical or unable to govern. Business is not simply a subject of a state-based regulation, but rather "a rule-maker, and often rule-enforcer." Corporate strategies command their capital and they have an impact on resource use at the levels of company, sector and supply-chain and are also able to influence the development of international regimes (ibid.). Studying the JI governance as a process is vital to move beyond the state, as state actors are not the only ones responsible for the project level governance, but companies, consultants, project verifiers, and investors. States are relevant in terms of law enforcement that enable the process to occur, but it is also mediated between various ministries and agencies that are an object of business influence directly and indirectly, and vice versa.

Stephan and Paterson (2012, 547) stress that there is particularly a need for a more critical literature on the Kyoto mechanisms as generally this literature is dominated by economic and legal approaches that "take for granted the positive value of carbon markets and are focused on questions of environmental effectiveness, efficiency, and what might be thought of as the 'optimal design'". What is especially problematic in these approaches is that they have a relatively conventional understanding of politics – they usually reduce politics to policymaking processes and focus on the positions of different actors and to preferred policies and on the other hand to normative basis of policy. That is why some authors (ibid. 547-550) argue that the analysis of politics should be understood in broader terms "that includes the questions of power and authority within the markets themselves".

2.3 ***Hegemony, Historical Bloc, and Market Civilisation***

Hegemony[15] is arguably the key concept both in original Gramscian thought as well as in neo-Gramscian developments (Cox 1983; Gill 2008; Levy & Newell 2005; Stephan 2011). It is argued that hegemony is an analytical tool that can be used to analyse power relations in society (Gill 2008). With the definition of Levy and Egan (2003, 805) "hegemony rests on a broad base of consent, which relies on coalitions and compromises that provide a measure of political and material accommodation with other social groups, and on ideologies that convey a mutuality of interests". It is rooted in civil society that has as its basis a two-fold structure: first it is an arena for securing hegemony and an extension of state that enforces its activities, and second it can also be an arena of political contestation as different societal groups or classes compete with each others by spreading their own ideas. It has also an important role in sustaining or changing hegemony as institutions of civil society such as the church, media, science or art sustain it (ibid.). The civil society in Gramscian theory is actually considered to be a part of the state. The government with its institutions and bureaucrats forms an integral state, while civil society establishes the extended state (Stephan 2011, 5).

State is an institution of authoritative rule in relation to the balance of social forces that either sustain or undermine it. As Gramsci noted:

> *"International relations intertwine with these internal relations of nation-states, creating new and historically unique combinations. A particular ideology, for instance, born in a highly developed country, is disseminated in less developed countries, impinging on the local interplay of combinations. This relation between international forces and national forces is further complicated by the existence within every State of several structurally diverse territorial sectors, with diverse relations of force at all levels"* (Gramsci 1971, 182).

The forms of political authority thus differ in different forms of state as the degree of autonomy in relation to its external environment varies. States have different capabilities to pursue their power in the inter-state system and the world economy and the same applies to varying degrees of control in relation to their society (Cox 2002, 32).

The key argument in neo-Gramscian framework, that power is not a sheer hierarchical, coercive and material dominance of a strong state as in (neo)realism (see Waltz 2000) nor class-based dominance as in the World-System approach (see Wallerstein 2004), but rather the concept of

[15] Gramsci developed concept of hegemony originally from political struggle in the Soviet Russia. Theorising hegemony enabled him also "to distinguish cases in which the bourgeoisie had attained a hegemonic position of leadership over other classes from those in which it had not (Cox 1983, 163)."

hegemony establishes a more complex and dialectical relationship among elite, state, and civil society (Matt & Okereke 2014; Wittneben et al. 2012). The basis of power is rather in "moral and intellectual leadership and the projection of a particular set of interests as general interests (Levy & Egan 2003, 805-806)." Therefore there is a stress on ideas that could be defined as "intersubjective meanings, or those shared notions of the nature of social relations which tend to perpetuate habits and expectations of behaviour (Cox 1981, 139-140)." Discourse is also located in this level and could be defined as "an ensemble of ideas, concepts, and categories through which meaning is given to social and physical phenomena, and which is produced and reproduced through an identifiable set of practices (Hajer 2005, 300)." Although these expectations are hard to break, it does not imply that they are eternal and cannot be changed (Cox 1981, 136). Power is seen as a strategic construct that is not only linked to the struggle for resources or to discursive practices of setting issues. Rather the focus is on the capacity of actors to operate in social structures and effect change, but they are also constructed and constrained by them (Levy & Egan 2003, 813).

In relation to the construction of hegemony the actors can be self-conscious and articulated in the sense of a 'historical bloc' or depoliticised and manipulable (Cox 2002, 86). In neo-Gramscian terms, the historical bloc refers to alliances among various social groups such as firms and NGOs, but also to material, organisational and discursive formations in order to stabilise and reproduce power relations in production and meaning. Effective arousal of social forces thus requires not only economic power, but also discursive power in order to construct perceptions of actors' interest. (Levy & Newell 2005, 50) Power is also reciprocally attached to production and to understand this relationship, it is important to study how power in production processes may enable social forces to emerge, how they may become the basis of power in a given form of state and how world order may be shaped by them (Bieler & Morton 2004, 89; Cox 1981, 138). Production in this notion is yet rather a process than a set of existing things, i.e. 'products', and includes the production of institutions, law, morality and ideas (Cox 2002, 31).

Legitimising hegemony into a form of a historical bloc also requires strata of individuals – "organic" intellectuals – who are aware of their political, social and economic role. These individuals can be for instance entrepreneurs or members of an elite that have the ability to organise society and especially the state in order to expand their own class (Levy & Egan 2003, 809). "Traditional" intellectuals do not have these qualifications, although every man can be intellectual (Gramsci 1971). By linking the study of organic intellectuals with ideology and agency, Gramsci was able to define their role in the development of consciousness, agency, and organisational preparedness in a given political project (Levy & Egan 2003, 809-810; Stephan 2011, 6). Stephan (2011, 16) argues that with regard to emissions trading and offsetting, the industrial experts familiar

with monitoring standards, baselines, and methodologies are also organic intellectuals, as they are able to universalise interests of the carboniferous fraction of capital.

International institutions also help advancing the dominant ideology in the global economy. As Cox (1983, 172) notes these organisations establish domestic policy guidelines, but also legitimate certain institutions and practices. They do not, however, reflect general orientations of the global community, but rather those of the dominant social and economic forces (Cox 1983, 172). The institutions are "particular amalgams of ideas and material power which in turn influence the development of ideas and material capabilities (ibid.)." Institutions can represent both diverse interest but they may also help universalising certain policy, but what is the most important point here is that institutions depict power relations of a given period of time. The process they generate can be defined as institutionalisation, as a means of stabilising and perpetuating a particular order. Institutions reflect the power relations prevailing at their point of origin and tend, at least initially, to encourage collective ideas consistent with these power relations. Eventually, institutions take on their own life; they can become either a battleground of opposing tendencies, or stimulate the creation of rival institutions reflecting different tendencies (Cox 1981, 136-137).

2.4 ***Russia and the Form of State***

Keeping in mind the interplay of domestic and international mechanisms related to the JI this section theorises briefly the construction of regimes in a Russian context in order to link the relationship between the current neoliberal world order referring to a particular configuration of forces with the form of the state referring to a state/society complex (Cox 1981, 138). It is yet good to acknowledge that certain ideas do not gain an equal foothold in every state. Kangas (2013) argues that economic nationalism and neoliberalism do not form a contradiction but are productively intertwined in contemporary Russian political thought and practice. In this order, states seeking to be recognised as its full members are being judged against a set of neoliberal standards. They may, however, interpret them in their own way. Kangas (2013, 573) thus notes that there are examples that "discourse of nation has in fact played an important role in attempts to gain support for economic liberalism". The growing adoption of liberal economic policies in the contemporary age, in other words, is not necessarily linked with the hegemony of economic liberalism as an ideology. Only when the nationalist impulse more generally has been defeated could such hegemony emerge (Helleiner 2002, 326).

Sakwa (2011, 28) argues that at the Russian domestic level "[a] regime denotes both a type of governmental system and the identification of a ruling group". Regime in Russia is based on a dual order of formal and informal rules, as it combines formal constitutional institutions with the personal preferences of individual leaders and the ways that these interact with formal provisions.

The ‘limits of the possible’ are somewhat dependant on the dualism between ‘constitutional state’ and ‘administrative regime’ that affects relations of state towards business and civil society and how they can influence globalised concepts such as carbon trading. The constitutional state refers to the formal order of institutions. The administrative regime in comparison contains some informal behaviour, as Sakwa (2011, 42) argues it can be considered as “a network of social relations, in which political and economic power are entwined in a shifting landscape of factional politics, and also an actor in the political process”. It is also an arena where intra-bureaucratic contestation occurs as it has its social basis in Russia’s bureaucracy, while it contains some power to use agency. Both these subsystems have political weight and are hegemonic and preserve social order of priviliging elites. Structures and rules do not establish order, but rather political actors are able to bend them for their own purposes and establish new ones in favour of the administrative regime favouring elites. With regard to governance in general it has made even small decisions be moved upward leading to a detailed bureaucratic regulation without creativity or personal responsibility (ibid. 31-45).

One way to understand this dual relationship could be the concept of ‘faction’. Sakwa (2011, 103) argues that it refers to a personal network that exploits organisational structures and institutional procedures. It is a source of extra-systemic functional resources for the formal order, while it simultaneously constrains institutional development. Faction is also a political rather than a social construct and therefore if conflicts occur they are debated among bureaucratic elites and business allies not among the broader public. This concept is more functional and refers to the reduction of transaction costs and to the response of changing circumstances to overcome uncertainty (ibid.). It is also vital to acknowledge the significant role of personal relations in Russian society when discussing the relations between politics and business; but also between different branches of government (Sutela 2012, 46). Drawing from new institutionalism, Nysten-Haarala and Kotilainen (2008, 10) argue that official institutions (formal constraints), such as legislation, economic rules or formal contracts, can technically be changed quite quickly, but unofficial institutions (informal constraints), such as attitudes, working habits and behavioural rules, change much more slowly and prevent official institutions from changing in the planned, ‘ideal’ direction. One constant challenge in the Russian transition has been that unofficial, informal institutitons do not support the official ones (Sakwa 2011).

The Russian Federation may formally sign environmental accords, but it does not necessarily imply that they would be supported by the informal regime (Nysten-Haarala & Kotilainen 2008). It also applies to the relations of business and state, as some organs connected to the state or owned by the state may still be part of private activities (Sakwa 2011, 64-65). This also stresses the limits of a sheer discursive framework, if the role of organisational and economic power

is not acknowledged; there are all sorts of non-discursive rules (rather tacit and not verbalised) in contemporary Russia that shape the behaviour of factions (Daugavet 2003 in Sakwa 2011, 107-108).

2.5 ***Strategies for a Field Stabilisation***

The Kyoto mechanisms were negotiated at the international level, but it is the domestic level where they are deployed and the characteristics of the state in question can thus be enabling or constraining. In a neo-Gramscian framework the concept of state is not limited to administrative, executive, and coercive forms of government but it is also constrained by the hegemony of the leading class. The state can also include elements of civil society (Cox 1983, 164). Cox (ibid., 165) argues that Gramsci noticed in his writings that there were differences in the division of power between the state and civil society between historical Russia before the Soviet era and Western Europe. Changes in terms of governance could not be introduced in the same way, as "[i]n Russia, the administrative and coercive apparatus of the state was formidable but proved to be vulnerable, while civil society was undeveloped (ibid.)." In the context of the thesis it is vital to keep in mind this division, as the construction of civil society and the depth of climate change debate differs significantly also in contemporary Russia (Andonova & Alexieva 2012) and thus establishes limits to strategies of ENGOs and firms. In Europe (but also in the US) the amount of actors involved in the climate change debate range from churches to libertarian think tanks and the general awareness of climate change is also higher among civil society and business than in Russia, where climate change remains mostly debated among elite circles (Andonova & Alexieva 2012; Stephan 2011).

Gramsci got the idea for his military based analogies for political stragies of concepts 'war of position' and 'passive revolution' from the Bolshevik Revolution in Russia as he tried to figure out to what extent they could be applied in Western Europe. Levy and Newell (2005) developed the concept of war of position further from the development of a state to a strategic stabilisation of an economic field by fusing the concept of field stabilisation from institutional theory with a neo-Gramscian approach. Field-level politics can then be described with the neo-Gramscian term of 'war of position' referring to a contested process characterised by construction and stabilisation of a 'historical bloc' with a broad set of actors, as business cannot simply rely on its economic or governmental connections (Levy & Egan 2003, 807). In comparison, the strategy of passive revolution refers to a reformist strategy from above by dominant actors, i.e. governmental agencies, ministers, and so on (ibid.). A key moment when it can occur is "when the impetus for change does not arise out of vast local economic development... but is instead the reflection of international developments which transmit their ideological currents to the periphery (Cox 1983, 170)." The

introduced policy may be linked to a dominant international discourse or break domestic policy traditions, and may lack broader societal support (Stephan 2011, 6).

Drawing from Gramsci, Cox (1983, 169) argues that strategies of those that hold power may evolve domestically either with a process of 'caesarism' or 'trasformismo'. Caesarism occurs when "a strong man intervenes to resolve the stalemate between equal and opposed social forces (ibid.)". It can occur in progressive or reactionary ways: in the former one with a more refined development strategy and in the latter one with a stabilisation of existing power. Trasformismo as a strategy in comparison is based on a construction of the broadest possible coalition of interests (Cox 1983, 169-170). It may also aim to assimilate and domesticate ideas considered as a threat with the adjustment of policies of a dominant coalition and thus disable the formation of organised opposition by co-opting some of its members into a dominant historical bloc (Cox 1983, 170) that in the context of carbon trading can be termed as carboniferous (Stephan 2011).

Hegemony similarly can then be viewed as a process of field stabilisation when various actors from governmental agencies to NGOs and intellectuals aim to build coalitions in order to establish policies, norms, and instutions and stabilise a politico-economic field in a certain way (Levy & Newell 2005)[16]. The JI process can then be fruitfully analysed as a field stabilisation that a comment on the Kyoto Protocol by the news agency, Ria Novosti summarises: "[the Protocol] has no relationship with ecology, it is a creation of a new market" (Delyagin cit. Ria Novosti 18 May 2004). Before the start of the Kyoto process, barely any of the actors, companies, ministries, or environmental organisations had much knowledge of carbon offsetting and thus this new field was started mostly from scratch that required discursive, economic, and organisational developments. The stabilisation can then be approached by the alignment of capabilities of three varying forces to reproduce the field. The first one is the economic system consisting of production, taxation, and sales, containing various distributive costs and benefits to various groups. Varying forces also require organisational capacity that can be exercised individually or in association with other companies, government agencies, industry associations, and with representatives of civil society. The third is the discursive structure of culture, ideology, and symbolism that guides behaviour and lends legitimacy to particular organisations, practices, and distributions of resources (Levy & Egan 2003, 810).

In order to improve analysis authors fuse the neo-Gramscian approach with bargaining theory that enables them to define climate goverance as a framework where different actors bargain over the structures and processes. The established regime, thus, reflects power, resources, preferences and strategies of the actors involved (Levy & Newell 2005, 62). The state is not a

[16] However, it is good to acknowledge that in the Russian context the power of business (as well as NGOs) is limited (Henry 2009; Sakwa 2011; Sutela 2012).

unitary actor, but rather is represented by multiple authorities, such as ministries for the environment or economic development that can have conflicting perceptions of a given policy issue. This argument is valid especially in the case of the JI in Russia, as in the governance ministries of economic development and trade; natural resources and environment but also ministry for foreign affairs were involved, thus leading to an interministrial conflict of varying discourses (Korppoo & Gazzan-zade 2014).

The developed model emphasises the relevance of discursive and cultural power in the definition of debates and organisational capacity and alliances. The exercise of power is thus an interplay between material, discursive and organisational resources, but it is not simply additive as it is dependant of 'war of position' (Levy & Newell 2005, 62). Interests are not pre-given as neorealist or neo-liberal accounts assume (Waltz 2000; Keohane & Nye 2001), but rather are constructed in institutional contexts and may be contested politically (Levy & Newell 2005, 62). Bargaining is thus a complex, dynamic, and somewhat indeterminate process. Therefore the development of regime may extend to many years, of which the institutional laggard for JI process for over half a decade in Russia is a good case in point. Firms cannot obtain everything, as the process is not a pluralist competion among equals (Levy & Newell 2005, 62), as neo-liberalist IR argues (See Young 2010).

To sum up, the process of regime development with regard the JI is constitutive of broader governance processes domestically and globally, but also simultaneously constrained by them. The strategies to stabilise the JI field as a part of broader global climate policy can then be analysed at material, discursive and organisational levels. Finally, in order for the international regime to be effective the formation of a historical bloc in both senses of the term is required: first, an alliance among states, leading business sectors, NGOs, and assorted professionals; and second, an alignment of of economic, organisational, and ideological forces that coordinate the interests of the members of the bloc (Levy & Newell 2005, 63-64). Action inside this concept between different dimensions is not defined with any hierarchical relationship and rather every dimension is interconnected with the other. Simply put, not only material capabilities can influence a given historical situation, but rather also ideas. Having the best possible material capabilities is not necessarily enough if a certain idea is not understood or accepted. The success of the JI governance is thus dependant on a broad set of forces and their political strategies in global and domestic levels among ministries, firms, and organisations.

3. **Methodology**

3.1 ***Argumentative Discourse Analysis***

Discourse is one of three key pillars of power enabling, a field stabilisation in the neo-Gramscian framework of Levy and Egan (2003). The ideational structure of discourse contains culture, ideology, and symbolism and sets guidelines with regard to behaviour and legitimacy for organisational and economic pillars of power (Levy & Egan 2003, 810). A change in discourse is likely to have a linkage with change in organisational and economic levels and enables the establishment of a broad analytical perspective of a given historical moment. Change in any of these three spheres is somewhat indicative of broader transformations in a given policy field. Argumentation is one of the key elements of discourse and the 'argumentative discourse analysis' (ADA) of Hajer (1995, 4) that is inspired especially by the works of Foucault enables a closer look at changes of this sphere of power. Discourse is understood here as "an ensemble of ideas, concepts, and categories through which meaning is given to social and physical phenomena, and which is produced and reproduced through an identifiable set of practices (Hajer 2005, 300)." This enables adaptation of the suggestion of Levy and Newell (2005, 49) to focus on strategy in which the political process is characterised by contestation and compromise in which different actors try to influence public debate in a particular way by constructing alliances.

Sum (2004, 4) argues that both Foucault and Gramsci were interested in the study of discourse and discursive formations, articulation of power and knowledge, hegemony and common sense, but also in consent and coercion. Hajer shares some of the same thoughts as Foucault, but also shares with Gramsci the interest of studying historical circumstances of an emerging discourse. However, the concepts of discourse coalition and storyline can be more fruitful as the aim is to build a more coherent picture of the actors that produce concrete discourses and how it translates into institutions. Therefore it is difficult to seperate between theory and method, as both the Hajerian and Neo-Gramscian approach link discourse and language with agency and also the Hajerian approach could be considered in the same way as theory (of ecological modernisation). It could be considered that the former one provides a concrete toolkit on how to analyse discourse, while the latter one links discourse that is the ideational level of agency, with economic and organisational levels. The key difference is that the Hajerian approach is constructivist and focuses on ideational and institutional power, while the neo-Gramscian approach is historical materialist and is equally concerned with the economic level.

The task of a discourse analysis is to investigate the structure of a given discourse, i.e. how social interaction develops within linguistic and symbolic utterances (Hajer 2005, 300). Discourses

can be controversial and therefore it is ”argumentative rationality not rational argumentation” that is in focus (Ibid. 301). ADA can be then defined as an “examination of argumentative structure in documents and other written or spoken statements, as well as the practices through which these utterances were made (Hajer 2005, 299).” When conducting this type of analysis the nature of a political problem is defined through the particular narrative, a storyline in which it is being discussed. In that kind of situation a coalition is formed under a specific set of storyline(s) for differing reasons, although actors may consider their interests and position to be different in some other political domain. Storylines are narratives on social reality and enable combining elements from various spheres. They establish symbolic references for actors and enable a common understanding. They are political devices and disable fragmentation and enable discursive closure (ibid.).

Storylines can also become ritually used when a broader set of actors start to use them and thus give certain fixity to the debate by making a specific problem rational. Finally, a storyline also expands an actor’s personal knowledge or expertise by giving discursive competence and position for a given issue (Hajer 1995, 62-63). Storylines are the basis for a creation of discourse coalition and consistent with the neo-Gramscian approach it is argued that storylines, not interests, form its basis (Hajer 1995, 66). Discourse coalition is constructed as an ensemble that is based on a storyline that keeps the coalition discursively together, on actors that articulate storylines and on the practises that establish discursive activity. Discourse coalition is then formed if it enables alignment with independent practices together discursively (Hajer 1995, 65). The focus is not on formal political coalitions that would have established concrete institutions, but rather actors that share some kind of narrative in a specific policy field. This however, can lead to formal coalitions, such as in the example of the US Climate Action Partnership that is a coalition of American NGOs and businesses aligned under a common discourse of climate change mitigation (See Stephan 2011).

Methodologically this approach enables us to “combine the analysis of discursive production of meaning with the analysis of socio-political practices from which social constructs emerge and in which the actors that make these statetements engage (Hajer 2005, 300).” The task of analysis is to examine statements that are usually constructed into a form of a narrative, i.e. facts described in story form. The power of a storyline then is based on the idea that it sounds right, i.e. it reduces discursive complexity. This does not only refer to plausibility, but also to the trust of the author and practice. Storylines do not only provide a specific narrative that enables an actor to understand his contribution to knowledge, but the storyline as such can influence the actor as well. The task of empirical research is, thus, to explain why actors introduce or support certain storylines strategically (Hajer 2005, 302). However, it is not as individualistic as it may sound like and rather it is a result of ‘discursive affinity’. Sounding right refers to an idea that separate elements have a

similar cognitive or discursive structure, i.e. for instance both regulative and trade-based climate change mitigation measures can be considered to result in similar ends although means are different. Strong discursive affinity may also lead to 'discursive contamination' that refers to a process when discursive elements do not only resemble each other but also flow over to other spheres (Hajer 1995, 63-67).

Hajer (1995, 66) suggests looking at the activities of actors that produce storylines such as scientists and activists or organisations that bring, for instance, previously independently working actors together under a common storyline. In neo-Gramscian terms these actors can be defined as organic intellectuals due to their ability to influence a given policy field with their use of discursive and organisational power (Levy & Newell 2005; Stephan 2011). The sites of politics that are of interest in this thesis are especially the business newspaper Kommersant' and the news agency Ria Novosti that Korppoo and Kokorin (2013, 6) argue to be key mass media sources for spreading climate change awareness in Russia. Studying mass media enables identification of actors, including more influential organic intellectuals involved in producing specific storylines. These actors and organisations can be further investigated in more depth by interviewing or by looking at public relations content available on the websites of organisations, such as pieces of news or press releases. In the case of corporations for instance existing carbon accounting procedures can epitomise discursive advocacy for climate policy measures. The discursive hegemony, then can be studied by investigating, first, 'discourse structuration' that refers to a moment when coherence and credibility are achieved by a specific storyline, i.e. actors are required to draw on the ideas, concepts and categories of a specific discourse. Second, 'discourse institutionalisation' refers to a moment when previously articulated concepts are replaced with the new ones defined by discourse coalition and translated into into institutional arrangements and concrete policies (Bulkeley 2000, 735; Hajer 1995, 60-61). A discourse is considered to be dominant when these criteria are fulfilled (Hajer 2005, 303) [17].

3.2 Applying Neo-Gramscian Framework

Discourses on Russian climate change and even the JI specifically, have already been covered quite well in the research (See Andonova & Alexieva 2012; Korppoo & Gassan-zade 2014 & Tynkkynen 2010), and thus the aim is rather to find discourses that are more influential and which actors used them and how they influenced the actual policy process. In line with the neo-Gramscian approach a linkage with material and organisational aspects of power is equally relevant. Therefore concepts of

[17] Hajer argued in his earlier work (1995, 61) that discourse is hegemonic with these criteria, but he added that in practical politics this is valid only to a certain degree and argued that weaker form of hegemony should be named as 'discursive domination'.

'discourse coalition' and 'storyline' help to operationalise the analysis better, as it is equally concerned with the discourse itself, but also who uses it strategically, and on how practices are being institutionalised.

I will not use all of the ten steps that Hajer (2005, 306) suggests, but rather the main base of analysis will be (1) desk research that refers to a general survey of the documents and positions in a given field; newspaper analysis and analysis of news sections in a relevant journals, (2) interviews with actors who are chosen because they have an overview of the field, if from different positions, (3) document analysis: analysing documents for constructing concepts, ideas and categorizations, (4) identification of key incidents as they enable to understand the discursive dynamics of a given case (5) interpretation that is conducted through a theoretical lens of the neo-Gramscian approach.

The process of JI governance is investigated from the start until the end in order to define the 'limits of the possible' during the specific historical momentum of the Kyoto regime. As discursive, economic and organisational levels of power are in a dialectical relationship, it is possible to obtain information from the organisational level. By comparing discursive positions with the norms and rules that the Russian domestic laws establish one can also investigate to what extent discourses of various actors institutionalise into the laws. The combined framework that incorporates the study of coalitions with the study of strategies enables more in depth study of the discursive, material and organisational capabilities of the non-state actors. The focus on discourse is not sufficient. The analysis thus takes into account not only development of discourse, but rather the full spectrum of aforementioned capabilities, as the aim of the study is to investigate the overall process of the JI governance.

The establishment of a new commodity for reducing emissions required generating trust not only domestically among Russian firms, governmental representatives, and NGOs, but also globally among investors operating in carbon markets. This process is a discursive activity, but it also requires a material domain, producing commodity that is a result of concrete projects. If there is a lack of trust in the activities of how this commodity is created, it will in economic terms lead to a lack of demand. Before the global financial crisis the demand was low at the domestic level and high at the global level, but when the crisis started tocome into effect it reversed: at the global carbon market there was an oversupply of carbon credits, while at the domestic level there was an increasing demand among corporations to achieve a JI project.

3.3 Research Data

Data for this thesis is collected from an extensive use of primary and secondary sources in order to achieve a broad picture of the role of actors involved in JI processes from the ratification of the Kyoto Protocol in 2004 until the end of the Kyoto commitment period in 2012. The key sources are

media materials and expert interviews, while also other materials such as international and domestic laws are used. It is significant to acknowledge that JI, that is after all already highly specific aspect of global climate policy and highly complex concept, cannot be expected to be as broadly debated in media as climate change in general. Due to this fact conducting interviews with experts was vital, as otherwise the obtained knowledge would have been rather shallow. In addition, laws are the ones that establish a significant amount of practises and establish institutions, but for instance they do not necessarily regulate all actions. In terms of language, roughly half of the material is in Russian, while the latter half is mostly in English. Having lived in Russia for, in total, over year and a half and pursuing a bachelor's degree in Russian language and culture did not, however, bring an additional challenge for conducting analysis.

For the analysis, I use a broad range of both primary and secondary sources. Primary sources are categorised as 1) Russian and international legal documents on governing the JI process, 2) statistical data on JI projects from the UNEP/Risoe database, and 3) six expert interviews. Secondary sources consist of 1) Russian media analysis using the business newspaper Kommersant, the news agency Ria Novosti, and 2) the international carbon trading specific news agency Point Carbon. Russian names, organisations and newspaper articles are transliterated with PGN/PCGN standard romanisation, or the so-called British Standard used by the Oxford University Press (Ritter 2003).

Media is one of the key institutions spreading hegemony in the neo-Gramscian global political economy framework and that is why choosing media articles for the analysis is a rather logical choice. They were chosen, as they provide the possibility to draw a broad picture of the key ideas surrounding the Russian public debate concerning JI. In every data set the aim was to find material that would cover the years 2004 and 2012, but it succeeded best with the media material and interviews, while the number of articles was rather small before 2009-2010. This is an issue that has been acknowledged also in the previous research on the JI and Russian climate policy more generally (See Andonova & Alexieva 2012; Korppoo & Gassan-zade 2014). It was noticed already at the early stages of the analysis that media does not cover all aspects of the JI process, and therefore the scope of data collection was broadened with interviews. Also the bias in Russian media coverage on climate change favouring state representatives is an important issue to notice (Pobereshkaya 2014); media positions are thus rather part of the extended state in a neo-Gramscian sense and strengthen the state position rather than strongly criticise it. Tynkkynen (2010, 183) adds that self-censorship, government interference, and inability to reach information are common problems both among journalists as well as citizens.

Russian media articles enable construction of a full storyline covering the years 2004-2012, while materials from non-state actors, interviews and previous research provide additional insights

to storylines that may have been uncovered in the media. The articles chosen are from the business newspaper Kommersant' and news agency Ria Novosti. They were chosen simply because of their quantity of articles: Kommersant' contains 45 articles on JI while Ria Novosti has a rather vast amount of 150 articles. Former one covers rather broad and in-depth themes, but also especially the business perspective. The latter one has less in-depth content and a large amount of articles just simply listed as what actors were involved in the projects and how many emissions reductions were achieved. So to speak clearly 'political' content was difficult to obtain in the latter Russian media source. On the other hand, the task of a news agency is to provide information for other media and it is natural that it aims to cover issues neutrally, although naturally any given text needs to be read critically. However, simply analysing newspapers or news agencies will not provide satisfactory results, as they are likely to focus on covering only state interests. Of course some industry specific newspapers, for instance from metallurgy or natural resources could also have been investigated, but they were left outside the analysis, as they would unlikely be able to cover issues beyond sectoral and generally economistic storylines.

In addition to Russian media articles, 71 articles from Point Carbon were investigated betweeen the years 2008-2011 in order to add alternative, foreign and expert perspective to the debate. Point Carbon is a journal focused on carbon trading and its database is at the moment available only for bigger institutional subscriptions and not for individuals. I collected these articles in autumn 2012 during an internship at KlimaCampus research institute in Hamburg that enabled me entry to the database[18]. The newspaper analysis was conducted in the following way that during the first reading the key content and actors involved in this process was listed. As a result of this analysis a map of actors was defined and the key corporate actors (individual corporations and their coalitions) were investigated in more detail by reading their press releases and other content published for broader public with regard to JI or climate policy in general. After this process a second more in depth reading was made in order to study discursive, economic and organisational features with more detail and they were also categorised historically into three different periods determined by legislative changes.

3.4 ***Semi-Structured Interviews***

Semi-structured interviews[19] were conducted in spring 2013 and 2014 with six 'helicopters' (See Hajer 2005, 306), i.e. with actors that have an overview of the field and that in some cases were also able to influence it with media presense. Stephan (2011, 16) argues that the representatives of

[18] Originally the research timeline was set to years 2008-2011, as those were the most active years of the JI debate. It was not possible to broaden the scope of timeline after my stay in Hamburg, as Point Carbon does not allow individual subscriptions.
[19] See Appendix 1 for questions.

industry that are familiar with monitoring standards, baselines and methodologies are a new type of organic intellectuals. Some of the actors were not only experts in their field, but they also aimed to universalise the interests of coalitions advocating for emissions trading and offsetting. The interviewees were divided in half between Russian and foreign experts in order to get a variety of opinions and perspectives. In terms of language, the interviews were conducted in Russian, English and one in Finnish. In practice nearly all of the actors had directly participated in the JI process or at least had direct contacts to Russian firms or governmental representatives involved. Equally important was that they have followed the JI process in Russia right from the start. The interviews were conducted in a semi-structured way, as it enabled some flexibility compared to a fully structured interview. Questions posed were extensive, as the purpose was to receive the broadest possible view on the process. The interviewees received questions in advance, so that they could prepare themselves for answering the broad range of themes concerning JI projects.

Interviews serve two purposes: first of all they function as a method for verifying information on these projects, as it is difficult to find and it is rather fragmented, and second of all they function as a situation that enables both the researcher and interviewee to reflect their experiences. As the number of interviews is limited to six, they cannot serve to test broader hypotheses[20], but rather their task is to enable the broadening of the scope of the studied issue and ease and improve the design of research by possibly deepening the research questions.

The semi-structured interviews used in this thesis refers to following preconditions (Gillham 2005, 70):

- Same questions are posed to everyone involved;
- In order to ensure topic focus the form goes through a process of development;
- To ensure equivalent coverage (that can be paired with comparative analysis) supplementary questions can be posed if interviewee has not spontaneously discussed some specific area of interest;
- In each interview the time used is approximately the same.

In order to retain neo-Gramscian theoretical scrutiny, focus cannot be simply on the official discourse and therefore the aim of the interviews was also to avoid top-down analytical bias. There was a limited amount of people to be interviewed, while at the same time the high profile status of many potential interviewees narrowed the number of sample. Smaller and more internationally orientated organisations were easier to reach, as well as academics. The information received is partially based on second-hand sources, but it is arguably close enough as the interviewees have

[20] Hypothesis testing is not the goal of neo-Gramscian theory that is in essence mostly focused on interpretation (See Gill 2008).

direct contacts to actors more openly involved in the process such as host companies and representatives of governmental agencies. As it is widely known that Russian political economy is significantly based on personal contacts (See Sutela 2012) that require a high level of trust and it cannot be obtained within one interview. In addition, I argue that it cannot be expected that a Finnish student would pursue direct personal contact to let's say the CEO of Gazprom or even its head of sustainability or a related position. Second of all, the representatives of public relations that could be more willing for an interview are unlikely to know much about the JI, as both at the corporate level and political level it is a rather fringe issue.

Interviews were kept anonymous, as I considered it enabled them to speak more freely, as issues such as corruption are not necessarily a topic of public debate and thus not highly convenient to discuss. They were chosen instead of companies involved in the actual JI process or instead of officials from ministries due to ease reaching them. All of them had been more or less involved right from the start of the approval of the Kyoto Protocol in 2004 until the end of process in 2012, while some had also experiences from other countries such as Ukraine. The persons interviewed could be mostly termed as consultants, as five of the six interviewees at least partially had consulted JI project development, but also even legal framework. The first Russian interviewee worked for an international carbon market consultancy firm; the second worked for a similar Russian firm; while the third worked in academia but had also consulted the Russian government and firms. The first foreign interviewee worked at an independent research foundation, while the second and third interviewees worked at investment firms focusing on emissions trading, while they had also consulted their representative governments.

The original aim was to have a broader set of interviews. Due to inability to reach the persons responsible for JI process in Russian corporations and in some accounts of the impossibility to conduct an interview using Skype the number of interviews had to be kept small. Some of the interviewees also pursued contacts in Russian companies that had participated in the JI process and they argued that they had contacted them in order to give me a possibility for an interview, but unfortunately the company representatives refused the plea. However, their contacts to foreign experts were helpful and actually in two cases I managed to receive an additional interviewee from a different organisation. I made several phone calls to companies that I considered likely to pursue an interest in the issue[21], but this effort was also unsuccessful due to difficulty in finding a responsible person or because of their high level of authority such as CEOs. As no grant was received for this thesis, the possibility to conduct a fieldwork in Moscow where many key

[21] Some of the Russian companies have participated in Carbon Disclosure Project (CDP) that is a voluntary carbon offsetting mechanism (See Andonova & Alexieva 2012). I considered these companies to have more interest for an interview compared to companies that had only participated in JI projects.

stakeholders have their offices was not an option due to financial constraints for staying in one of the most expensive cities in the world.

The interviewees were located in Russia or in other European countries and therefore conducting interviews with the help of Skype, a programme for making calls through the Internet was a rather pragmatic choice and enabled the saving of time and money. In addition to the use of Skype an additional programme eCamm was installed that enabled recording of the sessions to an mp3 file, as Skype does not have this feature. The quality of connection was at times rather bad, and therefore some of the interviews had to be conducted in pieces. As a consequence I did not use a camera, as it also requires a better connection, while being able to see facial expressions could make the interview more comparable to a more ordinary face-to-face interview. One of the interviews was also excluded from analysis due to its low technical quality, as simply too many words and sentences were distorted or simply missing because of delays in the connection. However, if the general content remained understandable, it was not considered an issue if a word or two was missing from on average an hour-long interview.

In order to make the interviews as natural as possible also in terms of language, the questionnaire was written in English, Finnish and Russian. Every interview could have been conducted in English, as already the international nature of the JI more or less requires fluency in the language. As I pursue fluency in Russian in addition to English, I decided to use Russian with native speakers, as translation of questionnaires and analysis did not bring significant additional effort. This of course also enabled interviewees answer more naturally to questions. Finally, an interview in Finnish was the longest, as it cannot be questioned that the most natural situation can be established when both interviewer and interviewee are able to use their native languages.

The interviews provided a good way to learn the process and helped me to understand the 'limits of the possible' for deploying global Kyoto mechanisms at the domestic level and their impact on the development of Russian industry. Issues such as corruption, but even concrete practises such as counting baselines or the role of additionality were barely discussed in the media and therefore interviews provided important additional information. Writing about corruption would have likely meant the loss of a job for a given journalist. The interviewees seemed to have significant amount of knowledge, as in practise most of them had followed the process already before the Kyoto Protocol came into force. They seemed to all be concerned with bringing Russia towards a low carbon economic path and mostly expressed their frustration on the passive role of the Russian government concerning the domestic deployment of climate policy. It should be also noted that in general Russians viewed JI processes more positively than foreigners who approached the process more critically or maybe in some cases even cynically.

4. Carbon Markets and the Global Political Economy

This chapter will sketch out the broader 'limits of the possible' for Russian participation in the Kyoto regime, while the following chapters focus in the practical deployment of the JI mechanism. Before going into more detail on the Russian context, this chapter will first discuss briefly the dynamics inside the global political economy that enabled carbon markets to emerge. Then the focus will move on to Russian political economy and finally to Russian ratification of the Kyoto Protocol that is read through a neo-Gramsian lens as a passive revolution. As the debate over the agreement has been covered well in previous literature (see Andonova 2008; Andonova & Alexieva 2012; Garbuzova & Madlener 2012; Henry & McIntosh Sundstrom 2007, 2012; Tynkkynen 2010), I will only depict its key discursive, organisational and economic specifics that are relevant with regard the JI mechanism.

4.1 The Emergence of Carbon Markets Globally

By linking ideational, institutional and material levels of the current historical framework for action Stephan (2011, 4) argues that it is especially the carboniferous fraction of capital that is influential in shaping climate policy towards a more commodified direction. 'Carboniferous' refers to a current era of energy use in the global economy based on the extraction and use of dead plants laid down in the carboniferous period, transformed through long geological processes into coal (Newell & Paterson 2010, 12). It has also translated into numerous particular materialisations within societies relying on the use of natural resources, into infrastructures and institutionalised processes that are based on heavy reliance on fossil fuels (Stephan 2011, 6-7). This era is also characterised by neoliberal practices (Gill 2008) that have enabled the carbon market to act as a 'solution' to climate change and has thus partially depoliticised the issue, while the governance it establishes tends to favour light-touch regulation by leaving space for climate fraud (Newell & Paterson 2010, 150).

Stephan (2011) argues that the origins for the ideas for pricing carbon emissions could be traced to the development of the discipline of *environmental economics*[22] and to the gradual abandoning of Keynesian economics in favour of the so-called 'Chicago School' at the University of Chicago and neo-liberalism in general at the end of the 1960s and early 1970s. The origins for pricing environmental harm are in the theory of Pigou (1914 cited in Stephan 2011, 9) who constructed a paradigm for environmental taxation. This was later criticised by Coase (1960) and his colleagues at the University of Chicago that argued creation of property rights for pollution and

[22] For a broader discussion on the topic and for comparison between environmental and ecological economics of which the latter aims to depart from mainstream neo-classical economics towards critical or heterodox economics see Gomez-Baggethun et al. 2010 or Bina and La Camera 2011.

the removal of transaction costs by applying free trade on such rights is a more effective way to internalise the costs compared to the taxation approach of Pigou (Grubb et al. 2010, 539; Stephan 2011, 9). The ideas were put into practise in the 1970s in the US with small-scale federal experiments on wetlands and for instance the Organisation for Economic Cooperation and Development and International Energy Agency set up working groups in the 1980s to study emissions trading (Stephan 2011, 10). This was also supported by the simultaneous emergence of environmental movement in the 1970s in many western countries that enabled the binding of environmental protection with market-based solutions. The development progressed to the establishment of ministries, but it was mostly bureaucratic change as the aim was simply to establish basic rules for every aspect on environmental reality (See Hajer 1995). These developments became gradually global, as for instance O'Brien and Williams (2010, 356) note that as a result of UN conferences, increasing diffusion of scientific knowledge to global politics such as the discovery of ozone layer depletion in 1985, and publication of *The Limits of Growth* in 1972, and environmental mishaps in the 1960s, 1970s and 1980s for example the Chernobyl nuclear disaster equally strengthened the role of the environment as a global issue. Environment became an independent field, at least in Western countries with the increasing popularity of ecological modernisation discourse. In the end, carbon markets were mainstreamed in the 1990s due to the increasing presence of private actors such as Shell and BP as well as state-based prototypes in the United Kingdom and Denmark. Globally the Montreal Protocol was the first agreement to apply the emissions trading system for reducing ozone-depleting substances (Lederer 2012b, 646).

The key enabling factors for the carbon market were the popularity of neoliberalism and the emergence of an ecological modernisation discourse that enabled emissions trading to be considered as viable and potentially the best policy to govern mitigation (Stephan 2011, 8). Ecological modernisation as a discourse acknowledges the structural character of the environmental dilemma but considers that existing political, economic, and social institutions can internalise the care for the environment (Hajer 1995, 24). It sets a high belief in technology and markets in terms of clean energy technologies and carbon trading. The basis on innovation, entrepreneurship, venture capital and carbon markets thus gives a key role for private sector agency by establishing new market opportunities for firms in technology, finance, and accounting (Levy & Spicer 2013, 664). Consequently, it makes environmental degradation calculable in terms of costs and benefits, i.e. it is a practice combining monetary units with discursive elements derived from the natural sciences. By using the language of business and conceptualising environmental pollution as a matter of inefficiency and stressing cost-effectiveness and administrative efficiency this discourse is depicted as a 'positive-sum game' with belief that collective action results in effective protection and that the problem can be simply solved with management (Hajer 1995, 25-26). Carbon markets, however,

cannot be compared with traditional markets, as they do not exist for the sake of the market. The markets are not ends themselves, but rather means to enable social purpose of GHG mitigation, while states that do the trading do not act as profit maximisers (Newell & Paterson 2010, 136, 142). The popularity of ecological modernisation also varies between countries and the same applies to neoliberalism and therefore it may be expected that in countries where these discourses are not advocated there could be tensions when global mechanisms based on these principles are deployed.

Finally, the governance based on carbon markets has weaknesses in terms of basic political principles such as justice and accountability, i.e. *"*who gets to make the rules, imposes them on others, and who has to live with the consequences (Newell & Paterson 2010, 156)." Currently there is injustice with the burden: those that have contributed least to climate change suffer the most. It is not only an issue between societies, but also within societies between class, gender and race (Newell & Paterson 2010, 156-157). For instance, the Russian New Rich generate significantly more emissions than Russian citizens on average by consuming imported products, travelling frequently by plane and so on, but they are unlikely to suffer the consequences of climate change. Caney (2010, 219) sums up that the most troubling issues with regard to justice in terms of emissions trading are establishing large benefits to energy companies, inability to keep up with the energy needs of the poor, and their unconvincing record in lowering emissions.

As the paradigm of market based emissions reductions has been dominant especially in the US since the 1980s it is easy to understand why this idea was institutionalised in the Kyoto Protocol as well (Grubb et al. 2010, 540). The actions of the EU are interesting in this case, as it was previously in favour of command and control solutions not market based solutions. (Stephan 2011, 3) Especially a EU-wide carbon tax was one of the main goals in the EU climate policy, but as it did not have decision-making power over member states in fiscal issues it was politically impossible (Giddens 2009, 197). The EU also realised that if it wanted to include the US in the Kyoto negotiations and overcome the afore-mentioned EU level battle then it should accept emissions trading as the main policy option for reducing emissions (Giddens 2009, 197; Stephan 2011, 3). Regardless of the fact that the US refused to continue negotiations in 2001, the EU remained an advocate of emissions trading and actually nowadays the European Emissions Trading Scheme is the most important carbon market in the global level (Stephan 2011, 3).

Aldy and Stavins (2012) define some alternative or supplementary policy instruments for carbon trading. The most traditional alternative is arguably measures based on command and control. The first types of these are regulatory standards that are based on technology or performance that were used especially in the EU before the introduction of carbon trading. The second type, technology-based standards are based on the use of equipment, process or procedure. Performance-based standards in comparison specify allowed levels of emissions or allowable

emission rates. The simplest approach for carbon reductions is argued to be carbon tax as it would be administratively simple to implement as it could use traditional governmental bodies for this task, but one of the main issues of this policy is that it would increase the cost of consuming energy. Finally phasing out fossil fuel subsidies could also be a solution (Aldy & Stavins 2012, 153-161).

4.2 The Key Dynamics of Russian Political Economy

Russian domestic settings are arguably a constraining factor with regard to the domestication of global climate policy commitments in general, as they are likely to pose a threat to the Russian economy heavily based on the production of fossil fuels as well as military products (See Andonova & Alexieva 2012; Kokorin & Korppoo 2013; Sakwa 2011). A brief discussion on the dynamics of Russian political economy and how it is linked with the global economy can thus deepen the understanding of the interplay of domestic and international forces during the Kyoto process. Cox (1981, 169) notes that Gramsci did not want to undermine the importance of the state in a broad sense combined of state and civil society. It is essentially a place where social conflicts occur. In the case of the JI this is especially valid, as regardless of the globally negotiated nature of the Kyoto flexible mechanisms their deployment and effectiveness is determined by domestic institutional and policy development. In the Russian context, it is characterised at the ideational level with nationalist practices that produce a cultural and historical susceptibility to neoliberal standards of the current world order (Kangas 2013, 572-573; Gill 2008, 123-149). At the material level both domestically and globally in terms of exports the Russian economy continues to be dependant on the production of fossil fuels, although political programmes to get rid of this dependency have emerged, while the state-based development model has remained (Bradshaw 2012; Sutela 2012).

The Russian energy sector is the biggest domestic source of the carbon dioxide and is directly affected by climate policy (Bradshaw 2012, 216). Sutela (2012, 103) notes that the energy sector provides about two thirds of export revenue and about half of federal fiscal revenue for the Russian Federation. The status of Russia as the second largest exporter of crude oil and the largest exporter of natural gas (IEA 2010 cited in Bradshaw 2012, 208) defines significantly Russia's role in the global economy that is highly dependant on the use of these natural resources (Stephan 2011, 6-8). Until 2008 there was a strong belief that the highly fossil fuel based economic development could continue forever, as the country experienced high rates of economic growth. However, as Bradshaw (2012, 207) argues, resource dependant economies are vulnerable of 'boom and bust' cycles due to price volatility of natural resources. This also occurred in Russia in July 2008 as a consequence of the global financial crisis that significantly lowered oil prices. This had an effect on the discursive level as well and resulted to an advocacy of discourses of 'diversification',

'modernisation' and 'innovation'. 'Diversification' as a discourse is considered to refer to the reduction of dependence of the Russian economy on the energy sector (ibid.).

Simultaneously at the material level the productivity of the Russian economy has been modest and there has been little amount of investments in research and development (Sutela 2012, 39-40) [23]. With regard to modernisation and Russia's increasing aim to be part of the competition-orientated neoliberal world order this improvement could be considered vital, as Andonova and Alexieva (2012, 618) note that "Russia's energy intensity of GDP, measured in purchasing power parity, is approximately 2.6 times higher than the average for industrialized countries, and more than double the energy intensity of the US, China, or the global average". According to the estimates of the World Bank (2008) Russia could reduce its energy consumption by 45 % with energy efficiency measures. In the end, any policy concerning energy is not simply about to produce energy for domestic demand it also concerns producing enough energy surpluses to export it and to generate enough revenue for the Russian state, and if climate policy measures are able to achieve some benefits, they may be advocated even by the carboniferous energy sectors. However, according to Andonova and Alexieva (2012, 618) regardless of the positive development in the linkage between progressive economic policies and climate change, especially Russia's energy efficiency policy, cannot be taken for granted. They refer to several analysts and point out that the there are no significant advances in the deployment of energy efficiency targets or linkage with specific policy measures. There is also significant bureaucratic fragmentation, as at the governmental level climate change and energy efficiency issues are divided among ten different governmental bodies (ibid. 619).

The Russian Federation has experienced various changes during the presidencies of Putin and Medvedev, but the introduction of modernisation strategies continue to be based on state leadership and Russia's private and state oil and gas companies are part of a process that aims to secure access to oil and gas reserves (Bradshaw 2012). Thus, even most of the business actors are rather expanding the state hegemony, rather than challenging it. During the presidency of Putin the centralisation of executive power continued, but it was also characterised with general strengthening of the state and with restructuring of relations with business (Andonova 2008, 490). Since Vladimir Putin became the leader, Russian resources became a service to the state (Bradshaw 2012, 207). Since then the Russian government has also practised reprivatisation and taken back state ownership, or at least state influence, while some privatisation has also occurred for instance in the electricity sector (Sutela 2012, 38). State influence has been kept with the placement of

[23] For instance the main source of key natural resources oil and gas, Western Siberian oil fields as a whole, has peaked and will decline in decades to come. If the Russian federation wants to maintain even a modest increase in production it needs to conduct expensive investments (Sutela 2012, 40).

people mostly loyal to Putin personally to the boards of leading companies (Sakwa 2011, 151). Medvedev in comparison could be argued to be more liberal in his political tendencies. The president advocated for a modernisation programme that was in many cases a synonym for 'reform' as it had as its basis in developmental achievements of the past. The focus was more on competitiveness, innovation and political pluralism than under Putin and could be thus labelled as 'liberal modernisation' (Sakwa 2014, 41). As Sutela (2012, 41) notes, modernisation, is not a simple issue that could be fixed with investments on research and development, but rather a broad issue covering economic structure, technology and consumption culture requiring broader societal efforts.

Both ideas of neoliberalism or market economy in general, as well as ideas linked with environmental movements such as sustainable development have followed different patterns in Russia than for instance in the EU or the US (Kangas 2013; Kotilainen et al. 2008). The ability of market advocating actors to lobby for neoliberal practices is rather weak. Sutela (2012, 50-51) notes that "[b]ig business is not strong and united enough to be a credible threat to political stability or Russia's sovereignty – at least without a collective suicide. Their supreme responsibility is to contribute to stability and sovereignty by running their interests as effective owners of profit-maximizing businesses." For a company sustaining social relations with the state, the local community and their workers are considered more important (Kotilainen & Nystén-Haarala 2008, 11). The political elites in government stress direct state control of assets in some sectors in order to retain long term and rapid growth of the economy. Any strengthening of a given business empire is considered as a threat as it could establish power to challenge political authority (Hanson 2009, 18). Applying state ownership even in terms of nationalisation of a firm is thus a method to counter possible business moves that could challenge state hegemony. As Chernykh (2011, 1238) notes nationalisation occurs due to political considerations for controlling strategically important companies, while factors such as firm-level profitability or economic importance do not provide clear rationale for the procedure. In the energy sector, that is the key beneficiary of the Kyoto mechanisms (Korppoo & Gassan-zade 2014) the division between state ownership and nationalisation or not is not straightforward; rather there are significant variations in the structure of ownership between different spheres of the energy sector (Kivinen 2012, 48). The ability to influence government also varies: fossil fuel based segments have their own patrons in Russian government, while non-fossil fuel based companies mostly lack this opportunity (ibid. 52-53).

In addition, civil society in general is weak and it also applies in general to environmental organisations and on their abilities to popularise concepts such as sustainable development or ecological modernisation (Henry 2009, 2010; Kotilainen et al. 2008). Interestingly compared to the most Western countries support for environmentalism (see Hajer 1995) is linked with the support of

market economy that Whitefield (2003, 104) argues to be due to linkage of blame of environmental problems to former state socialism. However, possibly even more surprisingly those who have supported environmentalism have associated Western involvement negatively, that is due to history of environmental movements that have linked themselves with nationalism. Market economy instead has usually clear linkage with the support of the Western values in general (ibid.). The weak support for the environment then is not because that Russians would not care for it, but because inability to connect concern for the environment with other concerns (ibid. 106-107). In addition, as Henry (2010, 763) notes that currently the Russian government favours those social organisations that are advancing the image of a powerful and influential Russia. Critical actors, i.e. actors that question the state hegemony and disagree on it becoming an integral part of the state, are an object of state marginalisation such as exclusion from decision-making processes or greater oversight by state agencies. As a result, environmental concern is weakly institutionalised in Russian government (ibid.).

Andonova (2008, 491-493) argues that ENGOs have been unable to engage with broader civil society due to their pursuit of a more technological character, but also due to transnational strategy. Henry (2009, 47) argues that sustainable development, a common element of environmental policy discourse, did not have powerful influence in Russian politics before 1990s. Although this discourse was institutionalised into laws, but in practise in governance it has played a minor role. This discourse also enabled a discursive closure for Russian officials and activists by replacing the Soviet idea of economic planning. In addition to scientific tradition there is also a romantic approach to nature preservation that connects humans with land and contains spirituality gained from the natural world. However, the scientific storyline was easier to adopt with sustainable development discourse, as it similaryly emphasises data collection and analysis, risk management, and technological solutions (Henry 2009, 51-52). Sustainable development still remains the focus of the elites that Henry (ibid. 62-63) considers to be largely due to the technical nature of discourse, but also due to the inability of the green movement to gain media attention.

4.3 ***Russia, the Kyoto Protocol, and a Passive Revolution from Global to Domestic Level***

> *"Not any kind of specific climate policy existed at that time [2004-2005]. Regardless of that, business actors considered it as an opportunity to make some money. But it wasn't natural for them to immediately consider this as an opportunity, as it was unclear what exactly we are trading. And one had to get accustomed to it. That we are trading ERUs, a little bit of 'a fringe commodity' that does not lay in the treasury and so on"* (Russian interviewee 2).

Russian domestic climate policy was mostly undeveloped when the Kyoto Protocol came into force. This process of domestication can be defined in a neo-Gramscian sense as a transformist form of passive revolution, as it was not a consequence of broad domestic social or economic development and the introduction of changes involved barely any arousal of popular forces (Gramsci 1971, 116-117; Stephan 2011, 13). Rather, the decision was based on the consent of "an intellectual stratum which picks up ideas originating from a prior foreign economic and social revolution" (Cox 1983, 170), i.e. the global development of carbon markets. Andonova (2008) argues that the economic expertise with regard to economic scenarios and benefits were key to change in the Russian governmental position away from scepticism to advocacy of economic dimensions. Due to weakness of NGOs, scientific and environmental rationales were not equally influential (ibid.) Korppoo (2009, 6), however, notes that economic rationale managed to arouse private interest only for the advocacy of the JI mechanism, not broader climate policy support. Simultaneously foreign governments pressured Russia's position towards an advocating stance (Golub et al. 2009). Yet, even now climate scepticism is relatively strong in Russian society (Pobereshkaya 2014), but was even stronger in 2004-2005 (Henry & McIntosh Sundstrom 2007). Thus, ideas linked with global climate policy are domestically advanced only by the elites in government, business, and civil society organisations.

Russia had already ratified the Kyoto Protocol in 1997, but it took until the end of 2004 to actually implement the agreement. Wilson Rowe (2009) considers this lengthy wait to be due to influence of climate sceptics among chief scientific and economic advisors of President Putin. Simultaneously there was advocacy among ENGOs, business, but also among cities and federal governments that was also strengthened with various programmes for increasing awareness among economic experts and governmental bodies. Their influence was not as direct and strong and took longer to achieve a foothold (Henry & McIntosh Sundstrom 2007). Buchner and Dall'Olio (2005, 367) in comparison note that Russian domestic political economy at the time of the ratification was characterised by increasing influence of the state, and thus the Kyoto treaty could have been counterproductive in this sense, as especially the potential benefits to the Russian energy sector were considered so large that the business could return its power. One of the interviewees had stressed this aspect as well:

> *"Before the time of Putin, and in his early years, Oligarchs had more power. Naturally, It was feared that Russian oligarchs would take over emissions rights and sell them to some outsiders and in that case Russia would have no rights to sell. At the early stage when everything was so wild when there were not much rules, so this was a rational and real fear"* (Foreign interviewee 1).

This may have constrained the power of business to transfer its knowledge, as Korppoo and Moe (2007, 6) note that the top-level understanding of carbon trading regulation was limited. The role of knowledge construction was also partially limited at the corporate level. For instance, one of the interviewed considered that at the early stages of the debate the level of knowledge was at such an absurd level that actors interested in the JI considered the emissions from grandpas pond from some Russian periphery could be sold to the carbon market (Foreign interviewee 1).

The hegemonic stability achieved through passive revolution for the approval of the agreement was based on the balance of domestic economic and bureaucratic interests consisting of a coalition lead by the Ministry of Economic Development and Trade (MEDT) that linked the Kyoto Protocol with the EU approval of Russia's accession to the WTO[24] (Andonova (2008, 496). This could be rendered through the discourse of nation (see Kangas 2013, and sections 5.3 and 6.3.), although it could also be discursively used to represent Russia as a 'great ecological power' (See Tynkkynen 2010). In the climate policy debate in general the role of climate sceptics (especially in Roshydromet) was prominent, but in the JI debate their voice was not heard (Korppoo & Gassan-zade 2014). Worth noting is that Roshydromet and especially Yury Izrael, who is also a member of Interngovernmental Panel on Climate Change that is the key global scientific body discussing climate change issues, was an active initiator of a debate on Russia's accession to the Kyoto Protocol and wanted to question the role of human activity with regard to climate change (ibid.). Consequently, common discourses elsewhere in environmental policy such as environmental protection were mostly absent (See Andonova 2008; Buchner & Dall'Olio 2005). Regardless of the awareness raising campaigns of Greenpeace, WWF and related organisations did not manage to increase much awareness of climate change among civil society. For instance in a Greenpeace press release (Greenpeace 2008 cited in. Andonova 2008, 493) it was argued that "[a]ccording to sociological surveys, more than half of Russians are unaware of the problem of climate change. Most believe that for frigid Russia warming would not be a misfortune, but a blessing."

The Russian position was due to a belief to be a net seller of ERUs. The focus was thus moved to economic and technological rationale away from deficiencies of the KP. Still the presidential policy circles especially expressed their concern of the absence of the US after 2001, uncertainty of economic benefits from the flexible mechanisms, the EU reservation on 'hot air', but also the possibility of the Protocol to constrain economic growth (Andonova 2008, 489-491). As a response to Russian scepticism, the EU countries in particular tried to change this position at the discursive level by producing analyses and sponsoring conferences with regard to potential benefits

[24] Naturally the EU, however, could not itself decide whether Russia will be part of the WTO or not.

and institutional requirements that also increased the economic rationale of the discourse concerning the Protocol. In addition, the World Bank together with the governments of Finland and Switzerland conducted a Joint Implementation Strategy Study for Russia in 1997–1999. These types of international programmes thus tried to establish a transformist passive revolution not only at the level of discourse, but they also aimed to influence the organisational level among corporations and also among different levels of state authorities in terms of project portfolio training and establishment of emissions inventories. Countries such as Denmark, Germany, Japan, the Netherlands, Sweden, Switzerland, and the UK financed this type of capacity building (Andonova 2008; Golub et al. 2009).

At the governmental level, the importance of the MEDT cannot be neglected. It was a general advocate of the approval of the Kyoto Protocol and can be considered as a ministry-level ally for market coalition consisting of business and ENGOs that "provided an important epistemic counterbalance to the sceptical scientific and economic advisors of the President" (Andonova 2008). Korppoo notes that before 2002, Roshydromet had the lead in Russian climate policy, but it was transferred to the MEDT. This change occurred especially due to its expertise as a scientific rather than political-administrative agency; the agency simply did not pursue organisational capability for managing industrial projects (Korppoo 2005, 116). The interests of the MEDT officials, such as for the former Minister German Gref the KP could be read as an opportunity to expand its power in economic, organisational and political terms. As Andonova (2008, 495) argues the MEDT wanted to become a coordinating governmental body for carbon transactions as it could bring a significant flow of resources through the organisation and this expanded the political influence of the ministry. It could also advance economic priorities such as reduce energy intensity, encourage investment in technological modernisation, and move away from reliance on oil and natural gas exports (Avdeeva 2005 in Andonova 2008, 495). International programmes before the JI[25] also enabled the establishment of knowledge on establishing GHG inventories at company, regional and national levels; how to develop a project or engage private sector, and regulatory and policy mechanisms needed for engaging with the carbon market (Andonova 2008, 495).

At the time of accession, some corporate projects had already been prepared in some cases with international financial and industrial partners (Andonova & Alexieva 2012, 618). This was arguably development at the level of corporate strategy, while their activities were also clearly political, as they did not only lobby their interests at the domestic level, but also pressured Russian government at the global climate negotiations and also aimed to find international cooperation (Nikitina 2001, 292). In addition to the interest of regions and investment institutions, equally

[25] The goal of early JI, activities implemented jointly (AIJ) before 2004-2005 was to gain experience with learning by doing approach for the JI and CDM, while they did not generate any carbon credits (Korppoo 2005).

significant was the support of UES and Gazprom for the Kyoto Protocol that represented broader and enlarging business coalition. It included diverse actors such as smaller industrial enterprises, financial institutions, the National Carbon Sequestration Foundation, the National Carbon Union (NCU) and the Union of Russian Industrialists and Entrepreneurs (RSPP) which is Russia's largest industrial lobby.

For the UES the Kyoto Protocol had strategic value, as the flexible mechanisms could advance attraction of the FDI, but also modernise electricity production. The NCU also influenced the political debate on the JI and the KP in general by questioning the calculations of Andrei Illarionov by arguing that his GDP calculations concerning the use of natural resources and their relationship with green house gas emissions does not correspond with the official numbers (Zelinskiy cit. Kommersant' 5 March 2004a). The organisation rather stressed the positive effects of the Protocol in terms of technological modernisation, as well as demanded creation of domestic ETS that could have enabled foreign businesses to enter Russian market that could equally support modernisation (Dudarev cit. Kommersant' 5 March 2004; Dudarev cit. Kommersant' 22 October 2004b). Gazprom had similar goals especially with regard to the FDI that could be considered as a reputational benefit as well (Andonova 2008, 497-498). At a broader organisational level the establishment of the NCU institutionalised business advocacy into a non-profit coalition, whose members were responsible for more than one-third of Russian emissions and advocated especially for the JI participation (Henry & McIntosh Sundstrom 2007, 54).

Right after the Kyoto Protocol came into force, or even later the Russian Federation did not seem to be preparing many measures that would mitigate the effects of climate change, namely a domestic emissions trading scheme, a carbon tax, or investments on alternative (renewable) energy sources. As one of the interviewees noted there is especially lack of leadership and commitment in the Russian government:

> *"We do have documents, but they are more like declarations or promises. They can be considered as "inspiring"; as they stress that something should be done but do not foresee mechanisms with strict frames. There is no responsibility"* (Russian interviewee 3).

To sum up, domestic schemes would require significant organisational efforts, not only at the governmental level, but also especially among corporate level in terms of emissions inventory and monitoring. Second, carbon tax was not feasible as at the economic level natural gas is sold domestically below world market prices and due to high dependence on energy exports. Finally, renewable energy resources are not subsidised compared to fossil fuels and here also the economic level is a constraining factor (Henry & McIntosh Sundstrom 2007, 64).

5. **The First Steps of Domestic Governance**

This chapter covers the domestic debate from 2004 over the first decree established in 2007 up until the end of 2008, when Sberbank became involved in the governing process. Before going into the debate with more detail, I will first discuss the basic features of the decree and then move to key actors and coalitions involved in the debate. Finally, I will define the discursive aspects of the debate and link them with economic and organisational aspects.

5.1 Settings of Governance

Carbon markets are not 'natural' constructs and they do not start functioning without establishing first the needed infrastructure, no matter whether private or public. Therefore, the role of agency is vital as well as knowledge of what is to be governed. In the case of the Kyoto Protocol flexible mechanisms, including JI, the responsibility is on the state agency to establish the needed framework, while practical deployment is subordinated to firms. This process, however, is not simple as Newell and Paterson point out:

> *"[W]hile it may be true, as free-marketeers suggest, that markets to some extent govern themselves (hence the popular phrase 'market discipline'), to construct a market nevertheless entails a considerable amount of governance from 'outside' the market. When you actually try to create a market, it turns out you can't just do the minimum of creating property rights and enforcing contracts. You also need to define rules by which trading can occur, set up elaborate accounting systems to measure emissions and make companies report on them and create complex methodologies by which a project may be deemed to have reduced emissions"* (Newell & Paterson 2010, 141).

This is an aspect that some actors may have neglected in Russia and abroad that 'market discipline' that is key element of the currently dominant climate capitalism representing 'disciplinary neoliberalism' requires institutional reinforcement (Gill 2008). Gramsci (1971, 182) already argued that particular ideologies or ideas are disseminated in less developed countries into locally specific combinations that in the case of Russia are characterised with nationalist tendencies (Kangas 2013). The Kyoto flexible mechanisms that could be argued to represent discourse of 'ecological modernisation' that can be easily attached with the discourse 'disciplinary neoliberalism', as both discourses advocate market principles and enable institutionalisation of capital accumulation. In the case of Russia these values are not embedded in the regime and therefore the deployment of these rules is fragmentary, as the following sections will show. The starting point is to understand that the

construction of new institutions for an issue where there is no previous experience is not necessarily about political will, but also about capability to understand the characteristics of what the commodification of carbon is and secondly how the trading should be organised around it institutionally. As Korppoo and Moe (2007, 6) argued that before 2007 the upper level understanding in the Russian government on the substance of the issue to be regulated was limited. Establishing legal framework was one of the defining drawbacks in the JI process that could be linked in general with the power of the bureaucratic regime in Russia (Sakwa 2011).

The JI process between 2004-2012 can be divided into three different phases that are all characterised by different institutional settings. The first phase was set up in less competition-based fashion, while the latter two phases included competition-based project selection criteria and state-owned commercial bank, Sberbank as project auditor. The Kyoto Protocol (2005) and especially the Marrakech Accords (2001) gave framework for the JI projects that consisted of the so-called tracks 1 and 2, but it did not require competition-based governance for choosing the projects. In so doing the country became a global exception. The first set of rules was approved only on 28 May 2007 with the Governmental Order #332 (Russian Federation 2007)[26]. In principle, however, it could have been established already in 2005, as Russian interviewee (Russian interviewee 2) noted that the registration of projects could have been done already in 2005, although ERUs could be sold only in 2008. This was only six months before the start of the Kyoto commitment period 2008-2012 when all the trading occurred. The responsibilities for the implementation of the Protocol were for the Ministry of Economic Development and Trade (MEDT), the Ministry of Natural Resources (MNR) and the Russian Federal Service for Hydrometeorology and Environmental Monitoring (Roshydromet). As Korppoo and Moe (2007, 6) note that although the goal to establish domestic JI procedures was already defined in The National Action Plan in September 2004 (Russian Federation 2004), the planned deadline set for mid-2005 was not clearly met that the two years delay clearly epitomises. The regulative content was also bureaucratic, vague and duplicated work in terms of independent expert review and project documentation. The approval system also lacked transparency (Korppoo & Moe 2007, 6). The authors (ibid.), however, were right in their presumption that the regulations are likely to lead to substantial delays in the JI project approval leading to lack of interest to invest in Russian projects. The mechanism almost ran out of time, as the combination of a late start with a short crediting period made sufficient project crediting almost impossible in order to justify investor's interest.

In terms of governmental effectiveness, the agency should be strong and strategically aligned in a Gramscian sense (see Levy & Newell 2005), but the decree did not establish this, as it

[26] In total five different legal documents governing the JI were approved, but this order is arguably most relevant in terms of general rules and norms of the governance.

did not mention the agencies that should pursue the task (Russian Federation 2007). This lack of clarity was considered to lead to a bargaining process between governmental agencies (Korppoo & Moe 2007, 3-4). Although the idea of the JI as a whole is to attract foreign investors, none of the orders did really advance this ideal. Acceptance of property rights of private capital is considered to be one of the key elements in the legitimisation of the neoliberal capital, but the decree does not strengthen this power. Instead strengthening the discourse of market civilisation, the decree rather strengthened the discourse of nation by giving a possibility for the Russian government to dismiss projects at any time. That is from the investor's perspective a negative signal. As noted, it is unlikely that that the Russian government would do such a thing, it still establishes a possibility of risk for foreign investors and makes governance more uncertain (ibid. 5). If one considers that if the investor was for instance The European Bank for Reconstruction and Development it would be not only be economically risky, but also politically. One could thus consider that the Russian authorities expected the investment demand to be significantly high. (Korppoo & Moe 2007, 6) Secondly, this could also be understood from the broader strategy to decrease business influence in favour of the state (Buchner & Dall'Olio 2005; Chernykh 2011).

The essence of a JI project is that it allows for emissions reduction projects to take place between two Annex 1 countries, i.e. countries that both have binding emissions caps set in the Kyoto Protocol. JI differs from the CDM in an important respect in that it requires careful accounting of assigned amount units (AAUs) – the overarching trading mechanism of the Kyoto Protocol. To deliver credits from a JI project into the market the host country must convert an appropriate number of its AAUs into ERUs. It can then transfer them to the entity seeking to buy the credits. Since both parties involved in JI are industrial countries with emission caps, each ERU generated by a JI project has to be converted from one AAU of the host country, thereby maintaining the overall Kyoto emissions cap at the same level (Shishlov et al. 2012, 5).

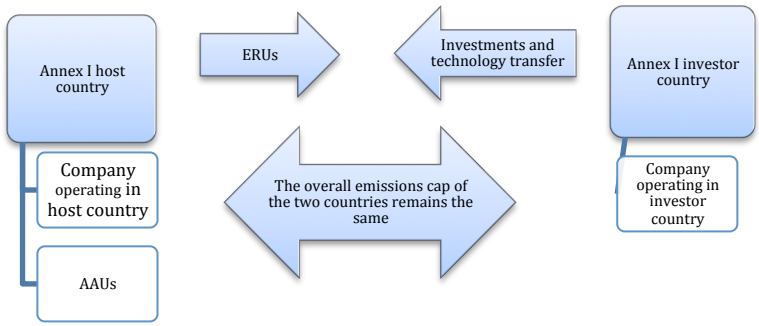

Figure 2: JI scheme (Adapted from Shishlov et al. 2012)

The JI projects have two procedural ways in their realisation that are referred to as 'tracks'. The first track is rather liberal from the point of view of the host country, as it leaves the choice of crucial parameters such as baseline determination to the participating countries. It can only be used if the host country fulfils all reporting requirements for Annex B countries as then the government can be expected to be alarmed when it oversells emission credits from JI projects on such a scale that its compliance with the emissions budget is endangered. Politically, track 1 is likely to lead to a negotiation position that is similar to the negotiation of bilateral trade agreements and has many degrees of freedom (Schmitz & Michaelowa 2005, 85). Although there is variation in procedures between countries in the use of this track, most countries used the abovementioned procedures (Shislov et al. 2012, 8).

Originally track 2 was planned to be used for economies in transition that were expected to have difficulties in establishing national systems and achieving eligibility in track 1 in a timely manner (Shislov et al 2012, 8). It is similar to the CDM and applies if the host country does not fulfil the reporting requirements, but it can also be chosen voluntarily. In this case it will be overseen by the Joint Implementation Supervisory Committee (JISC) and after that the ERUs have to be certified by 'independent entities'. The more bureaucratic track 2 provides additional institutional safeguards against host countries' non-compliance, in case they do not have the informational infrastructure to control it themselves. Due to the strong oversight, there is little leeway for countries to negotiate the amount of emission credits (Schmitz & Michaelowa 2005, 85). Russia always preferred the first procedure, as that would prevent involvement of many countries and entities, i.e. involved more transparency and arguably less possibility for corruption. In this case the two countries that decide on a JI project under track I have to meet Kyoto rules and remain continually eligible. Russia met the eligibility criteria as of May 2008 and had established the national system needed under Articles 5 and 7 of the Protocol (Golub et al 2009, 444). According to Henry and McIntosh Sundstrom (2012, 1314) Oleg Pluzhnikov was one of the key actors in designing the domestic procedures with regard to track 1. He worked first in the MNR, and later became the Deputy Director for Government Regulation of Tariffs, Infrastructure Reform and Energy Efficiency in the MEDT.

The position of the carboniferous historical bloc was emphasised, as the majority of projects went to large scale high-revenue projects including gas flaring, coalmine methane and industrial gases (Korppoo & Gassan-zade 2008, 11). These are also the key sectors, i.e. gas, oil, electricity, but also banking that all form the core of the Russian multinationals (Panitbratov 2012, 2). In total, 755 JI projects were conducted between 2008-2012, of which over half were in Russia or Ukraine and the rest mostly in other European countries. During the JI process, 96 registered projects were received from Russia. 95 of these projects were based on the criteria of track 1, i.e. the host country

of the project can design the project selection criteria itself. Only one of the projects, "Bikin Tiger Carbon Project" a project for avoiding deforestation termed as permanent protection of otherwise logged Bikin Forest in Primorye was based on the criteria of track 2, i.e. JISC determined the project, its verification, and the issuance of ERUs. An additional peculiarity of this project is that ERUs were received in April 2013, while the rest of the project ERUs were issued between the Kyoto first commitment period (UNEP/Risoe 2013). In total 203 projects were submitted to the JISC, of which 96 were accepted, 84 are being determined and 23 were rejected. As Russia will not be able to release any new ERUs after 2012, in practise also the projects under determination are unlikely to generate any credits. The most dominant project type was based on fugitive emissions (roughly 28% of all projects) that in the case of Russia come mostly from gas flaring. The second most popular type was energy efficiency (roughly 29% of all projects), while third most common type was fossil fuel switch (11% of all projects). The only project type clearly based on renewables was concerning construction of hydropower (3% or six projects), while also two projects dedicated to avoided deforestation were conducted.

No projects for wind or solar power were conducted, and thus the focus was more on technological modernisation in strategic business sectors forming the carboniferous historical bloc in the Russian context. The dominant type of gas pipeline refurbishment projects in JI process in Russia (Korppoo & Moe 2007) show that especially large (state-owned) energy corporations are able to benefit better from the Russian institutional settings of the Kyoto regime than for instance small-scale corporations producing renewable energy. The latter ones in general have less material capabilities, as they do not have any subsidies for their products, unlike former ones (See Bradshaw 2012). Equally interesting is that forestry-orientated projects did not spark much interest although forests in general are considered to be part of Russian national pride (Korppoo 2009; Tynkkynen 2010). This can be explained, however, with the international dimension of demand, as the key buyer of the ERUs, the EU, refused to accept credits generated from forest-related projects (See Stephan 2012). The same applied to the selling of the Assigned Amount Units (AAUs) into the International Emissions Trading (IET) as the main buyer, the EU was not willing to buy them, as it would simply have been like paying for doing nothing (Golub et al. 2009, 438). Most of the AAUs, i.e. units received from keeping the emissions below 1990 levels, are the result of natural collapse of industrial production and they are often referred to as "hot air" (Golub et al. 2009, 438; Garbuzova & Madlener 2012, 390).

A feature that strengthened the power of transnational capital and did not challenge the carboniferous historical bloc was the fact that the financial structure of the proposed JI projects at the time was not disclosed. It made it difficult to follow the money flows in the projects. The lack of data between the profits of host and project developer organisations made it impossible to showcase

that profits would be used to finance further refurbishment projects in a given sector. (Korppoo & Moe 2008, 13) It did not guarantee that environmental integrity was strengthened and the revenue could be simply used to finance continuation of activities that increase carbon emissions and make the project counterproductive. As Korppoo and Moe (2008, 13) note "the JI framework does not prohibit large profits and it does not require disclosure of financial information, but it seems probable that it would be easier to attract serious investors if such information was available and if a substantial part of profits were reinvested in further improvements in the host organisations." However, values such as sustainability are marginal issues in corporate governance or they are understood differently and thus international investor demand cannot provide strong pressure to reinvest on processes with climate change mitigation effect.

Not all carbon trading occurred through JI mechanisms of generating ERUs and actually corporations that have participated in the JI process have also managed to sell their generated emissions reductions before the Kyoto commitment period through mechanisms such as Verified Carbon Standard[27] that is based on voluntary market. With this fact in mind, it must be noted that although the JI mechanism was considered as the key part of the global climate policy in Russian discourse, it was not the only carbon trading mechanism that was applied in Russia.

5.2 Towards Business Coalitions

In order to understand the Russian interplay of forces it is good to return to more general features of actor constellations in Russia. First of all, the state strategy was to enforce its role and it aimed to limit the power of business and civil society. However, there were also state agencies that tried to some extent advance business interests, especially the MEDT. Korppoo and Gassan-zade (2014, 227) argue that Russia was considered to be key supplier of the ERUs through the JI projects in the global carbon market, but it was not supported much domestically at the governmental level. The authors identified the key obstacle for this process as the lack of high-level political support for setting up domestic administration that can also be identified in the media with little presence of the Russian Prime Minister or President in the debate (ibid.). However, as for instance Shishlov et al. (2012, 1) argue that the deployment of the JI mechanism in Russia was mostly based on private sector governance, as the basis of the projects was on specific projects, not on economy-wide emissions reductions. The demand for its deployment mostly came from the companies and financiers such as JP Morgan, NEFCO[28], Vitol and so on. The major sectors involved were the oil, gas and energy industry sectors that are major stakeholders in Russian political and economic

[27] The organisation is registered as non-profit and headquartered at the Washington D.C.
[28] Nordic Environment Finance Corporation (NEFCO) is an international financial institution established by the governments of Nordic countries.

decision-making (Firsova & Taplin 2008, 481). These sectors are the ones that could be argued to represent the carboniferous historical bloc (Stephan 2011), as they are heavily dependant on the use of fossil fuels.

One of the most vocal advocates of the JI among business was the already privatised electricity monopoly, the United Energy Systems (UES). Before the privatisation and restructuring that started in 2006 and was completed in June 2008 the company was one of the largest single utilities in the world (Andonova 2008, 497). The privatisation was part of the plan of the former Minister of the MEDT, German Gref to privatise electricity from one state-owned company and to sell state-owned power plants to ten key energy companies including foreign ones, while hydropower and nuclear power were kept as state property. As a result, electricity markets were fully liberalised in 2011 (Sutela 2012, 57). As Andonova (2008, 497) notes the company was prepared significantly earlier to use the benefits of the JI than the Russian government that formulated a coherent national policy on the Kyoto Protocol much later. Already in 2003 the UES joined the Global Greenhouse Gas Register of the World Economic Forum. The rationale for this was noted to be the strategic considerations of the company to modernise and restructure the company operations with the use of FDI that the flexible mechanisms could bring. The active engagement could equally advance the international image of the company. The company considered the investor demand to be high, as the EU ETS was simultaneously in preparation (Andonova 2008, 497, 8). Golub et al. (2009) also noted that the company was rather advanced in terms of corporate level emissions governance, as it reported and counted its annual GHG emissions with international standards. The UES was also a Russian pioneer in implementing an overall GHG monitoring system and in submitting first JI projects. The company had also already established a carbon fund, the National Carbon Union (NCU) in 2001 for accounting the carbon emissions of Russian companies. The UES strategy cannot be considered only economic, but also political, as it also suggested taking the responsibility of the JI governance that its participation in international organisations also strengthened, while through the NCU it developed 30 JI projects depicting its aim to enforce its organisational power as well (ibid.).

Gazprom, the largest Russian energy company, also similar to the UES, had reputational incentives to support the climate regime as a mechanism to increase its attractiveness for FDI. This position however can be understood already through its material capabilities, as it is the biggest company in Russia and therefore it needs to adapt more to international pressure than other companies, in addition it accounted 2,22 % of global emissions between 1751-2010 being the fifth biggest corporate

emitter in the world (Heede 2014, 237) [29]. Gazprom also participated in the Carbon Disclosure Report in cooperation with the WWF Russia in which 50 major Russian companies reviewed their activities in terms of GHG emissions counting (Andonova & Alexieva 2012).

Gazprom was not only relevant in terms of being a host of a JI project, but it also bought ERUs from 8 different projects with the use of its European sister company Gazprom Trading and Marketing Ltd located in the UK (UNEP/Risoe 2013). The change in Gazprom and the UES' interests with respect to climate cooperation thus established a powerful lobby. This could be also linked to the fact that for instance high level managerially trained managers that had changed corporate practises towards more liberal a form of governance such as Anatoly Chubais of the UES had close ties to the liberal faction of the Putin government (Wengle 2012). Regardless of state control, the companies enabled the establishment of a significant lobby to influence the presidential administration (Andonova 2008; Buchner & Dall'Olio 2005). Interestingly, however, compared to the UES, during the JI debate Gazprom remained rather silent, excluding its subsidiary company Gazprom Trading and Marketing Ltd that has its headquarters in London and has arguably larger interest to use climate change related projects for branding.

In comparison most of the other companies, did not show equally vocal support. For instance Lukoil that was one of the biggest winners of the JI process, as 14 out of the 96 accepted projects were from the company or its subsidiary companies (Lukoil 2014; UNEP/Risoe 2013), was not active discursively, although at the material level the company achieved significant benefits[30]. This could be because of a preference to be identified through more Western market based strategy of profits rather than pursuing political influence (Panitbratov 2012, 187). Lukoil is rather international and about 25 per cent of its activities are abroad and especially due to this fact it could have been able to take more advantage of the JI, but also this could be linked to the concerns of international image, similarly with the UES. On the contrary, it is equally possible that the company simply used its direct contacts in the Russian government in the administrative regime to advance its position. The metallurgical sector was also one of the clearest beneficiaries of the JI projects (UNEP/Risoe 2013) and the same strategic interests could be argued to apply to this sphere as well. Panitbratov (2012, 107) notes that the operations of the sector require a large amount of capital as well as energy, and therefore investments are needed to support and expand its production. Currently there is only one large company in aluminium, that is Russian Aluminium, (Rusal). A strategic factor for the company development is energy, that the production of aluminium requires a large amount (ibid. 108-112).

[29] For instance France produced 0,82 per cent of emissions during the same timeframe. The largest single global emitter is US based energy company Chevron generating 3,52 per cent of global carbon dioxide and methane emissions (Heede 2014, 237).

[30] There is no indication of strong activity in the previous research or in the analysed media sources.

Among ENGOs only WWF Russia could be argued to have a three-dimensional power in influencing the JI process. First of all the organisation prepared and published a significant amount of reports of the JI and analysed the projects. At the organisational level it has participated in various meetings concerning the JI and at the material level it had resources from its Gold Standard offsetting mechanism[31], but also a significant amount of knowledge concerning carbon trading and offsetting. Other environmental organisations used their capabilities only at the discursive level by publishing news articles[32].

The early debate on JI was centred more on the domestic level of the policy making, all the while foreign investors and the changing dynamics of the EU ETS added the international dynamics into the debate. The general attitude towards JI projects as such was positive, i.e. it is in practice almost impossible to find any actor that would openly oppose the projects, but the difference was in the level of emphasis of economic benefits. The first phase of the JI process, the years between 2004 and 2008 could be characterised as a process for finding a path towards an accepted way of setting institutions and procedures, such as domestic legislation enabling the process was needed to be established and that would define the responsibilities of various ministries. Second, it was also a phase of gaining knowledge before the actual commitment period of 2008-2012. Finally, the discourse was narrowed to cover technical, economic and administrative issues, i.e. the debate on JI was also depoliticised. Thus, field stabilisation by enabling a hegemonic position for a certain set of interests was not achieved, although business actors, namely the RSPP and the UES supported fast action.

5.3 The Discourse of Nation

As noted in the previous section, the government cannot be considered as a unitary actor in JI issue, and rather the agency is divided between the ministries of foreign affairs (MFA), economic development and trade (MEDT) and natural resources (MNR). Second, there was disbelief in JI and in the Kyoto structure in general and why ERUs should be given for business. It did not really receive acceptance. Only later, when it was realised that the domestic emissions would not significantly increase and that there are a large amount of quotas the process started to function. The positions of these actors could be understood as a representation of the discourse of nation. As Kangas (2013, 587) argues "the discourse of nation helps to nationalise, naturalise, idealise and depoliticise a project that resonates with the neoliberal ethos of contemporary market civilisation that would permit no barrier to market forces." The ministries aimed to align with the state strategy,

[31] Gold standard is a quality standard for carbon offsetting in the CDM as well as in voluntary non-governmental carbon markets (Stephan 2011, 15).
[32] This is based on the personal observation of the websites of key ENGOs such as Bellona, Greenpeace and Russian Socio-Ecological Union.

but as the perceived potential benefits were so high the discourse institutionalisation was not straightforward among governmental agencies, but rather they tried to gain own (economic) benefits. In addition issues such as lacking a needed governmental letter of approval may be considered as either unwillingness to show political commitment to the Kyoto ratification or governmental resistance to support business interests with regard to the JI (Buchner & Dall'Olio 2005, 367).

The MFA was the key initiator of climate policy and therefore its agency is also vital in terms of the JI. As the third foreign interviewee (Foreign interviewee 3) argued, a little cynically, that there is no broader Russian climate policy. Russian climate policy is located in the department for foreign affairs that basically deals with UN negotiations and that is roughly all, although some links could be made with policy on energy efficiency for instance (ibid.). The second foreign interviewee (Foreign interviewee 2) noted that the ministry saw JI as a foreign policy instrument and it was linked with the storyline of 'should we take commitments or not'. There was also a storyline "Kyoto Protocol is a threat to Russian sovereignty" and therefore for the MFA the economic storyline "Kyoto Protocol is a source of money for modernisation" was barely meaningless. The interviewee also noted the money is not necessarily peanuts for companies but for the MFA it was (ibid.). On the contrary, also even MEDT with the voice of Vsevolod Gavrilov (cit. Kommersant' 16 February 2005) questioned the Western demand. He argued that there is demand, but he did not consider that Russians could earn 10 billion dollars a year. In general the MEDT, however, as argued in the previous section was the strongest lobby of Russian business and stressed the economic benefits with the storyline of 'Russian companies can improve energy efficiency'. Finally, the ministry for natural resources read JI through the storyline of 'JI is a natural resource, what should we do about it?' (Foreign interviewee 2) The third foreign interviewee thus noted it "was not very helpful" to have the multiplicity of organisations (Foreign interviewee 3). It was also stated that if there had been only one ministry in charge it could have overruled other ministries (Foreign interviewee 2). Another interviewee (Russian interviewee 3) added that Russian climate documents do not bring responsibility, but rather they are more declarative by nature. In addition, the coordination of different policies linked to climate change such as mitigation, adaptation or research and development was weak (ibid.).

One of the interviewees (Foreign interviewee 1) also argued that the reason why only one agency was not chosen was due to fear of power of oligarchs. It could be thus considered as a measure of field stabilisation in a neo-Gramscian sense, but not preserve corporate interests, but state interests. It was noted that especially before Putin and during the early years of his presidency oligarchs had more power and there was a fear that they would take over emissions rights and sell them to some outsiders and in that case Russia would have no rights to sell. "At the early stage

when everything was so wild when there were not many rules, it was a rational fear". The top level felt that control was needed and thus the mandates were given for the MNR and the MEDT (Foreign interviewee 1). During these early years the key officials (Pluzhnikov in the MNR and Gavrilov in the MEDT) that understood what the issue was about did not have strong enough mandate for pursuing their ideas of developing and stabilising the field. Gref, minister of the MEDT until 2007 probably knew more about the issue, but at the same time there was MNR that pursued equal power. It is also worthy to note that key opponents of the Kyoto Protocol, Andrei Illarionov or Yury Izrael did not participate in the debate that epitomises well how low politically the domestic debate indeed was.

Another sphere of mistrust was between Russian ministries and business. The Kyoto Protocol gives a legitimate role for firms and consequently some power. There was belief in the trap and that there is not really money and more likely some domestic actors are going to steal it, as one of the interviewed argued (Foreign interviewee 1). The discourse coalition under this perception was formed by the MNR; Rostekhnadzor (the Federal Service for Ecological, Technological and Nuclear Supervision); and by the committee on ecology of the state Duma. As Kommersant' (16 February 2005) argues that they do not contradict the market as such, but they think that the market should be based on administrative distribution of emission quotas among Russian companies in a similar way to the EU ETS. For instance a vice-chairman from the committee on ecology from the state Duma explained that the government should decide distribution of restrictions for all companies (Kosarikov cit. Kommersant' 16 February 2005). Carbon trading is under his consideration far from the main tool for the execution of business responsibilities. Rather he argued that emissions of Russian corporations can be fixed at the 2005 level and if they exceed during executive period under the Kyoto Protocol (2008-2012) the court can impose penalties and in that case they would be required to buy emissions reduction quotas from the carbon market or from the state. Selling emissions reductions abroad frightened him the most as he argued that the trade with the West requires strict state control as otherwise companies would sell the entire state quota (ibid.). A representative from the MNR agreed with this position and argued that regulation of greenhouse gases should be regulated in the same way as other pollutants, i.e. emission standards should be established under the Russian legislation for all businesses (Ishkov cit. Kommersant 16 February 2005). Kommersant' noted this form of governance would put into practice the prediction of economic presidential adviser Andrei Illarionov of gulag and totalitarian Kyoto sect referring to the Russian economy (Kommersant 16 February 2005).

Another explanatory linkage could be the metaphor of Russia as a superpower that is a constraining factor with regards to the JI. As the second foreign interviewee noted, the JI is not exactly development aid, but it could be seen a little bit as such. This perception conflicted slightly

with how Russia (or the MFA) sees itself in the world. The interviewee compared Russia with Ukraine and argued that because Ukraine did not have the 'superpower mentality' like Russia, it perceived the issue simply in economic terms, i.e. if there is some money that can be made, why not conduct the JI projects (Foreign interviewee 2). It could be thus considered that if a country perceives itself as a superpower then it does not need any aid outside its borders, as it should pursue all the needed political and economic might itself, but also at the domestic level towards business and ENGOs. Only when the benefits were perceived high enough as a consequence of gradual knowledge diffusions and probably due to the financial crisis that started in 2008 did it make sense to conduct the JI projects.

In the end, arguably the clearest constraining factors for the coalition to emerge were the understanding of the property rights with regard ERUs that have a linkage with the governmental strategy to decrease business influence (See Buchner & Dall'Olio 2005). The MEDT was the only governmental body that aligned with the discourse of market civilisation and advocated the ownership of private capital. In comparison, the MNR and the MFA could be argued to align more with the discourse of nation stressing the ownership of state capital. As one of the foreign interviewees noted that these types of practices reminded him of the state capitalism in China (Foreign interviewee 2). Due to this inability to come to an aligned perception of the ERUs there was a significant struggle, it was argued (ibid.). Partially the ERUs were owned by the state as they were located as digits in Russian carbon registry, but the ones that received the money for ERUs on the other hand were private entities. This then resulted to a visible bureaucratic delay, as it was argued that no one knew who owned the ERUs (ibid.). Not necessarily the understanding of property rights, but also the general lack of knowledge could be argued to be the general constraining factor in terms of functioning governance. As one of the interviewed argued that by looking from the Russian perspective in 2004 and 2005 the officials may have thought that there is no need to rush, as there are many years ahead. In sum, without urgency or perception of urgency he considered nobody really paid attention to the JI (Foreign interviewee 3). While during the Kyoto ratification process the economic benefits of the JI were stressed, among the administrative regime the officials were likely either unaware of the possibilities of the framework or they probably considered other issues to be more important.

5.4 The Discourse of Market Civilisation

The debate over JI among the market advocates started with the considerations whether a compulsory or voluntary framework should be established that lead to a division among some governmental actors that also applied to some of the businesses. Also environmental organisations participated in the debate, but with a considerably less significant public presence. The economic

rationale was influential in the more general debate of the Kyoto Protocol and it continued to influence the debate over JI, as the coalition of actors was more or less the same that advocated for the Kyoto Protocol. A representative of the research group "Russia and the Kyoto Protocol" argued that most of the money could indeed be achieved through the JI, but "in order to participate in them strong decisions need not to be made". It was also argued that the Kyoto Protocol "has no relationship with ecology, it is a creation of a new market" (Delyagin cit. Ria Novosti 18 May 2004).

The domestication of global commitments was not straightforward, as during the first years debate over JI governance was linked to the debate over domestic ETS, while it was not in any way necessary to establish it. Actually, the Russian commitments were so low that they did not require actual domestic enforcement. However, a demand for the domestic ETS still emerged and it was argued that only with the creation of a domestic market and linking it with the EU ETS Russia could achieve significant benefits from the Kyoto Protocol. A pilot phase was needed and ecological code for market based regulation of ecology, a representative of the UES argued (Dudarev cit. Kommersant' 22 October 2004a). The organisation also argued to have conducted meetings for instance with the commissar on ecological issues of the EU and with foreign representatives of various industrial sectors such as metallurgy. Also the voluntary role of the domestic ETS was stressed, as potential participants of the market considered JI to be complex with a requirement of certification from an international auditor and an approval of Russian government (Kommersant' 29 October 2004).

On the governmental side especially a representative of the MEDT, Vsevolod Gavrilov (cit. Kommersant' 29 October 2004)) also considered that a voluntary market should be established in Russia with the use of tenders (that were applied in the beginning of Sberbank era) that would enable corporations to take the maximum amount of liabilities. He also argued that a similar binding scheme as in the EU was unlikely to be feasible when applied due to specifics of relations with business (ibid.). It is also evident that there was some argumentation against the state participation in the storyline of Gavrilov (cit. Kommersant' 16 February 2005): "A market system is needed and it needs to minimise the participation of officials. If possible, totally." From this perspective his move to Sberbank seems thus logical and also shows his political role. He also noted that the JI regulations are difficult for many companies: "The main part of enterprises, especially enterprises of housing and communal services, are in a difficult condition in terms of compliance with international standards on energy use and energy efficiency (ibid.)." The discourse of market civilisation is also visible with the stress of subordination of governance from state to business: "The most effective way is to subordinate state obligations for business and let it independently develop solutions via market (ibid.)."

When looking at the debate over the business side the issues that are good to acknowledge are also the construction of trust and the establishment of knowledge, as the JI projects are based on a totally new business model that also includes complex methodologies and bureaucracy. It was difficult for industry to believe or understand them and therefore the role of knowledge is an issue to be acknowledged. Ria Novosti (9 February 2006) noted that issues sustaining difficulty with deployment are "specific terminology, and unambiguous interpretation that is impossible without a corresponding glossary, and systematisation of the available data in Russian". It was considered that according to the participants of the JI process there are no Russian counterparts for numerous foreign terms used in the documentation of the Kyoto Protocol (ibid.).

One of the Russian interviewees argues that the key economic and commercial interests were among regions and among companies, but it was not enough to influence the government for active decision-making and implementation (Russian interviewee 3). On the contrary, in the MEDT there was clear concern as for instance Vsevolod Gavrilov (cit. Ria Novosti 15.2.2005) argued: "If we do not fulfil the assumed obligations, then it will affect the attitude towards our country, of potential buyers of quotas". Some spheres of industry, especially the ones that are orientated more towards domestic markets do not necessarily come across with ideas such as sustainability or even energy efficiency compared to more internationally orientated firms that can also use JI projects discursively to show their commitment to corporate social responsibility. Therefore, earning money for producing something less and achieving emissions reductions seemed more or less a fringe idea for many companies. The second foreign interviewee (Foreign interviewee 2) perceived the Russian company representatives to consider their investor interest as "a trick that cannot be true". It was also partially argued that the Russian company perceptions could be even linked with xenophobia originating from the Soviet times when foreigners were perceived as a threat or a spy. As noted before, environmental issues in general are not considered as a serious threat and then if an investor comes with his or her 'wishy-washy environmental stories' the potential Russian host company representative is in that case difficult to persuade of the benefits of the projects. Compared to the early advocates, among most of the companies one had to wait until concrete results that money could be really achieved from the transfer of ERUs (Foreign Interviewee 2).

Going more in-depth to inside the firm can also explain something. In most of the companies the JI was unlikely to be an issue that a CEO would acknowledge, maybe excluding the UES and Lukoil, but it is more probable that the departments of sustainability and related have issues like the JI in their active strategic radar. As one of the interviewees (Foreign interviewee 3) predicted, it is more likely that smaller departments in company have this on their agenda, but without any decision-making authority, while one could see some writing, even some news articles on it. It was assumed that it was not likely to be a top management board issue that would have

enough organisational power to bring the issue to the political level with the government (Foreign interviewee 3). Additionally, there is also a clearer economic reason that low energy prices make the problem of energy saving unimportant, as the NCU representative noted (Dudarev cit. Kommersant' 20 February 2006): "Companies will receive a stimulus when electricity prices become two times more expensive and price of gas will reach to 70 dollars per thousand cubic metres." In the financial sector the importance of the JI was probably the most visible that the later stages of the debate in particular will show (See chapter 6). However, already before Sberbank became involved for instance, Gazprombank and Dresdner Bank established a joint company Carbon Trade & Finance that will invest on carbon market (Kommersant' 22 January 2007). This company bought in total ERUs from six different projects (UNEP Risoe 2013). In addition, also Vneshekonombank that is commonly called as the Russian Development Bank[33] and is owned by the Russian state signed a memorandum on cooperation with its German counterpart Kreditanstalt für Wiederaufbau in the sphere of carbon trading, especially in developing projects (Ria Novosti 17 October 2007).

The UES is arguably one of the businesses, where carbon trading in general and the JI in specific was a top-level management issue. Its role cannot be understood simply as an economic strategy, i.e. that it would see only a potential business sphere for the JI that it aimed to stabilise with market-based competition, but also in a sense political, i.e. discursive strategy to govern the process. It was at the time in principle a public actor, but in practice a private actor (Foreign interviewee 1). The subsidiary of the UES, the NCU, actually proposed to take responsibility for the preparation and coordination of JI projects related to work for domestic carbon registry and in responsible committees of the UN (NCU cit. Ria Novosti 19 May 2008). The UES had clear strategic plans for the JI as it was noted that in the five-year investment program the company planned that 5-15% of total investment worth 78 billion dollars would be based on the Kyoto projects (Gavrilov cit. Kommersant' 18 June 2007). However, the market coalition was not unitary. It was noted that for example that a SUEK representative of the coal industry did not want to put into law projects transferring electricity production from coal to gas, that is direct interest of the UES (Kommersant' 5 July 2005). In addition, some of companies such as Rosgazification were excluded from the coalition that reflected the varying structural differences on how different sectors could profit from JI (ibid.)

The projects seemed to be also in favour of large enterprises. Especially the complexity of projects in terms of registration and approval was considered an issue. Also many municipalities approached the Kyoto projects with caution because of its bureaucracy. "Not every small project

[33] The official English translation is State Corporation "Bank for Development and Foreign Economic Affairs".

owner is able to pay 50000 euros for the documentation, registration and expertise and so on". "If we want to mitigate emissions, let's establish easier accessible mechanisms for the deployment of these projects and reduce costs of documentation" (Gor'kov cit. Ria Novosti 14 January 2008). In order to reduce costs, but also to reduce bureaucracy, NEFCO in particular tried to establish combined projects that tried to enable participation of smaller projects and companies (Foreign interviewee 1) This type of approach was also advocated by the Russian representative of the Intergovernmental Panel on Climate Change working group by arguing that small municipal utilities for whom ecological modernisation is economically daunting should form associations for filing class of applications for the participation in the JI (Novikov cit. Ria Novosti 12 March 2008).

It could also be an explanatory factor that due to division between coalitions the legal framework for the JI was not established in 2005. As the two ministries could not agree between command-and-control and voluntary based market, the development of the decree may have taken until 2007. The MEDT advocated for a voluntary market, while the MNR and Rostekhnadzor advocated for a binding mechanism that would force every business to mitigate emissions. (Kommersant' 5 July 2005). The EU also tried to speed-up the Russian decision-making process, as European countries wanted to buy credits from Russian companies that were before the financial crisis one and a half or two times cheaper than European credits (Kommersant' 5 October 2005). This initiative institutionalised into a TACIS project that aimed to develop a legal base and deployment of monitoring and carbon registry (ibid.). Stepan Dudarev from the NCU did not consider this to speed-up the process much (Dudarev cit. Kommersant' 5 October 2005). It was thus noted in the joint committee of ministries working with the measures for the Kyoto there was no agreement on what kind of market to establish – binding or voluntary (Expert cit. Kommersant' 28 July 2005). Inability to decide allocation of budgetary money among ministries was considered also a source of delay (Kommersant' 1 April 2005).

Before Sberbank became involved in the process, the coalition also lost partially its discursive and organisational power as, due to privatisation of the UES, it was fragmented into smaller companies that strengthened state power and decreased the ability of the corporate lobby. Although the business had on its side the MEDT, the coalition building was not unitary among business as there was also internal competition among sectors and thus institutionalisation of the interests of the coalition was weak and difficult. By that time 40 JI projects had already been generated with the potential reductions of 100 million tons of CO2 equivalent (Kommersant' 23 December 2010), showing that at the material level the progress had been significant, but the discourse of market civilisation was yet not strong enough to overcome constraining non-discursive bureaucratic practices of the administrative regime.

6. **The Sberbank Years**

In this chapter I investigate the change in governance under the agency of MEDT and Sberbank. During these years Russian media attention on JI increased and became more concrete and varied as the process actually started showing some progress. However, the media coverage particularly on the role of Sberbank does not provide many hints as to why the bank was chosen instead of other actors, interviews thus enrich the understanding of the debate and the construction of coalitions. It also epitomises a small clash of discourses of nation and market civilisation, while at the economic and organisational levels some progress occurred.

6.1 Changed Settings of Governance

> *"And after that emerged this unpleasant thing to project selection – tenders. It is possibly the first and only moment in global history when one should fight for the right to reduce emissions [laughter]. Not right to pollute, do you understand, but a right to establish emission reductions and then sell them"* (Russian Interviewee 2).

The years 2009-2012 are the most peculiar period of the JI governance, as it showed some success, as projects were finally approved. It also received rather broad critique, due to the new actors and procedures. The biggest change in terms of actors was the involvement of Sberbank, the biggest Russian commercial bank as an auditor that also strengthened its political role during the process. With regard to procedures the introduction of tenders – in practice a market-based selection process by using competition – and later demand to reinvest JI money for further "greening" corporate activities were the key changes. Before Sberbank it was not possible to effectively institutionalise policy due to varying perceptions on how the carbon market should be created, as the role of agencies was not clearly defined in the legislation. To some extent Sberbank, thus, managed to stabilise the JI field, but its role was fully supported only by the state, while business as well as NGOs were happy that something finally happened, they still retained a cautious position. The *climate impasse* (Levy & Spicer 2013, 660) at the global level that emerged as a result of the financial and sovereign debt crisis of 2008–2012 and failure of the Copenhagen climate negotiations did not immediately bring negative effects on Russian policy-making, but closer to the end it started to affect this as well. By 2011 a remarkable backlash to global discussions about climate change and the clean energy industry occurred. Climate denial emerged once again, while recession and austerity measures had moved climate change beyond policy agenda in many countries (Levy & Spicer 2013, 670) that gradually diminished the demand for Russian ERUs.

The delays in the process could be a sign of an inter-agency power struggle over the control of the potential financial flows generated by JI in the absence of a clear political signal to finalise a functional system to approve projects. As Korppoo and Gassan-zade (2014, 227) note, if the perceived potential to earn some money flow is high it is likely to spark a broad interest of agencies. They give as examples of this, approval of applications by various agencies during the first phase, an expert council review of projects during the second phase, and in the third phase the sudden involvement of the MNR in approving the investment declarations. This could have sparked construction of coalition if the storylines were the same, but they were not. Thus, partially conflicting relations remained with different ministries.

The second set of approval procedures in the Decree #843 (Russian Federation 2009) involved Sberbank as the operator of carbon units and tenders under the supervision of MEDT (Russian Federation, 2009); these procedures were adopted in November 2009. It did not have a clearly defined role. This prevented some buyers from proceeding with their projects, for legal reasons (Korppoo & Gassan-zade 2014, 227-228). On the other hand especially the process of tenders and the role of Sberbank received criticism from business both in domestic and international spheres as well as from the UN and foreign governmental agencies. From the business perspective the quantitative limits for the amount of ERUs allocated under Sberbank tenders made different projects compete against each other that prevented registration of projects (Shishlov et al. 2012, 18).

The Decree #780 dated 15 September 2011 (Russian Federation 2011b) was the last legal document changing the procedure of JI. Most important changes were setting Sberbank as a third party to all JI deals between the seller and buyer, phasing tenders out in favour of on-going project submissions, and removing limits for project registrations. Also the requirement for ERU revenues to be reinvested in further energy efficiency or generally environmental projects was a new rule that arguably attempted to improve the environmental contribution of the mechanism and could probably be a response to critique of the NGOs (See WWF Russia 2007). It also set a limit of emission reduction to 300 million units, but it was, however, already reached in May 2012. The first projects were verified only in 2010, but not every project was verified even in 2011 (Korppoo & Gassan-zade 2014, 228). Shishlov et al. (2012, 20) note that the strengthening of power of Sberbank was especially controversial, as it enabled the bank to directly influence the sales of ERUs abroad and to select buyers. It cannot therefore be considered that the bank was only a simple profit-maximising economic actor – it had clear political commitments. The requirement of environmental reinvestments, however, could be linked with the Green Investment Scheme framework and could be considered as a policy tool to enable investments into prioritised sectors (ibid.). Korppoo and Gassan-zade (2014, 228) note that this could be linked with the political goals of the MNR that sought a role in the JI approval system, and of Sberbank in order to gain new customers through the

co-financing of these reinvestments[34]. The involvement could also be understood from the point that the MNR was stressing a storyline of 'strict environmental regulation instead of market' during the debate of the first legal phase, while it was also part of the discourse coalition originally supporting the Kyoto Protocol and therefore it is logical from its perspective to have an interest in the JI and not just simply move away from the process.

6.2 Sberbank and a Caesarist Passive Revolution

The role of the Sberbank could be understood from the perspective of the Russian government as a strategy of passive revolution at a domestic level by preserving the privileges of the few. It represents a form of caesarism in a reactionary form, as it stabilised existing power (Cox 1981, 166). This was not a democratic change, but rather it was a strategy where "strong man intervenes to resolve the stalemate between equal and opposed social forces (ibid.)". It was not debated among the constitutive state, but rather it was more likely negotiated behind closed doors in the administrative regime by president Medvedev and by the former minister of the MEDT, German Gref, as there was barely any discussion on changing organisations in the JI governance, before Sberbank became involved. Actually, Sberbank received its exclusive status as an operator of the carbon market in 2009 nearly right after German Gref, a former minister of the MEDT from 2000 to 2007 was selected as the head of the bank. However, Korppoo and Gassan-zade (2014, 228) note Sberbank showed a readiness to create a functional project-approval cycle, and dealt with inter-agency coordination problems better than the previous leading agency, the MEDT that was an object of power games.

This strategy managed to somewhat better balance power struggles between ministries that had not been able to stabilise the governing process, while it left even the key beneficiary – the business and finance globally and domestically unsatisfied. The key storyline among the interviewed could be defined through a storyline "Sberbank managed to make the JI function, but the governance was not perfect". The key strength in using Sberbank was that it enhanced the discourse of nation that was mediated with political bargaining between the government and Sberbank. The mandate of the bank was yet weak to attract FDI and it actually even distracted them. Sberbank could be argued to have to some extent a better institutional capacity to govern the process than the duality of the MNR and the MEDT, as it was a commercial actor and not necessarily equally involved in the battle between ministries, although it was lead by German Gref. As one of the interviewed noted: "Sberbank could be the party that could plot the whole and

[34] Sberbank was the main agency that participated in developing GIS. It refers to investing process of the AAUs (Korppoo & Gassan-zade 2014, 228). This mechanism never progressed, as especially the EU was politically unwilling to accept the 'hot air' as the achieved AAUs were simply a result of the industrial collapse of the Soviet Union not a result of actual mitigation measures (See Ervine 2014).

actually have this work instead of ministries continuing in fighting on who should do what" (Foreign interviewee 3). Still, having a commercial bank to operate as an auditor is not at all a common feature of JI regime when comparing with other countries. Yet in the Kyoto rulebook there is no formal restriction for that.

One way to understand the success is looking at power from different levels and linking that with knowledge. In Russia decisions occur in an authoritarian top-level way, although the best knowledge capacity is among officials that do not necessarily have needed political power. As a foreign interviewee (Foreign interviewee 1) noted that all the while the top level makes decisions, it has the least amount of information of this complex system, while lower levels know what the international level wants and what are the demands to get customers. The MEDT had been regulator of the market since 2005 and whose deputy director, Vsevolod Gavrilov of the Department of Property and Land Use and Environmental Management, also moved his post to Sberbank into the directorate of Energy Efficiency and Environmental Management projects (Kommersant' 6 October 2011). This was not a straightforward process and one of the interviewed argued that among ministries the idea of making the bank an auditor took a long time (Foreign interviewee 3).

The presidency of Medvedev and the discourse of 'modernisation' is also naturally an enabling link with the passive revolution. There are no signs that the role of the authoritarian politics would have disappeared anywhere, although Sberbank slightly depolitised the carbon governance in Russia. As the policy of modernisation started to emerge during the Medvedev presidency (see Sakwa 2011), politics of carbon offsetting was naturally easier to integrate with these goals, as technological and ecological modernisation are elements that are generally attached to the JI. Simultaneously the publication of the Climate Doctrine (Russian Federation 2009) and positive statements with regard to action on climate change mitigation in the COP15 at Copenhagen were naturally strengthening factors (See Andonova & Alexieva 2012).

When looking at the top-level politics, a foreign interviewee (Foreign interviewee 1) stressed the role of Gref, as he was able to explain to other high level authorities the international logics of carbon trading and issues such as ownership rights. The interviewee thus argued that he "understood quite a lot and he could explain that you cannot set issues like that and that there are other actors and we don't want Russia to end up in a court in London as it looks bad". In addition, the interviewee also argued to have heard that Sberbank would have taken responsibility of being in court, if Russian government disobeys the rules and that was the political bargain for advancing Sberbank's position (ibid.). Interviewees also stressed the relevance of certain personnel shifts in ministries that were important for making the governance work that again stresses the dualism of the constitutional state and administrative regime and that the power is expressed through individuals not through organisations:

> *"At that point it was important that a coalition emerged. Sberbank was a strong enough actor politically that had trust in the person that could lead and then Pluz*hnikov *was transferred [from the MNR] to the same post that Gavrilov used to hold [in the MEDT]. It was not necessarily exactly the same, but from the JI perspective it was. If you asked Gavrilov, he would argue that he is only an employee and that the ministry is the one that makes decisions, but that has not really been the case. It is a dual system, the decision-making occurs through people, not through organisations they represent"*
>
> (Foreign interviewee 1).

The storyline "it was not a big policy decision behind it but rather it was all about individuals" (Foreign interviewee 2) thus synthesises well the general perception of this organisational change. The same perception applies also to the Russian interviewees. One of them noted that having Gavrilov in Sberbank with his own vision of what should be done and his connections to the government because of belonging to the coalition of Gref was more decisive (Russian interviewee 1). Having Pluzhnikov in MEDT and Gavrilov in Sberbank was thus important as they both shared a strong personal commitment for advancing the JI process. As noted in the previous chapter, MNR as a whole was particularly more interested in control than advancing corporate interest and thus coalition building was weak as the discursive positions were rather antagonistic. One of the interviewees (Foreign interviewee 1) also noted that Gavrilov had also previously worked with financial issues of international projects related to environmental governance in the 1990s and he could be considered to be pursuing satisfactory organisational capability. In comparison, regardless of the JI, Gref was considered to have better contacts to the top. The interviewee argued further that the top level was more interested in the control that the money was not taken to tax havens, as it would look bad politically that arguably represents discourse of nation. An example of the politically worst-case scenario was given that a private entity could register a company in the Bahamas and then conduct a huge JI project and in some cases even fail with baselines (ibid.).

Formally, the bank did not pursue in principle any capabilities that a state agency would not have. At the same time, using Sberbank to govern project selection constrained some possible actions, as if the organ used would have been state agency, then it could easier link other state policies into its operations (Foreign interviewee 2). Although state controlled, the bank still functioned as any commercial bank by trying to maximise profit, it did not have organisational capability to take any of the roles that are expected from state agencies. The field stabilisation mostly occurred among ministries, as this change managed to set the power relations between agencies into the background. The position was still partial and far from hegemonic when taking

into account the perceptions of domestic and international business and their representative governments.

To some extent, it could be considered that the Russian government may have perceived Sberbank as also being able to mediate between corporate interests. As a commercial bank it had also organisation power to deal with the financial practices. On the contrary it is noted that especially at the later stages the power of Russian companies was unexpected and "the seat heater was at five at some point for Gavrilov as every Russian company wanted to get a project, but he did not have emissions rights for everyone" (Foreign interviewee 1). Probably the power of Gavrilov was not necessarily sufficient as major Russian companies have direct contact to the top-level decision-making. The bargaining process thus did not necessary occur between company and Sberbank, but also between company and the administrative regime with some higher level official that could push Sberbank to accept a project. Yet it could turn out a challenge, as the amount of carbon quotas was limited by the legislation.

The use of tenders is considered to be an invention and a result of the lobbying of Sberbank, although it must be acknowledged that the NCU already proposed in 2004 (cit. Kommersant' 22 October 2004) "to set a tender with a self-regulating organisation that would take the responsibility to construct a market in Russia". One of the interviewees (Russian interviewee 1) noted that the system of tenders is absolutely not understandable as to why it was established but later removed. Sberbank played an especially negative role and it is to blame for why everything was delayed, the same interviewee considered. The argument was that if there were no tenders and everything was chosen simply as in the beginning with certain criteria and demands the process would have been propably faster and less bureaucratic. In addition, the Russian interviewee argued that although no one is going to say it openly and no one is going to verify it with documents, Sberbank took bribes during the tenders. This occurred maybe because everyone tried to get something for himself, as is common here among officials (Russian interviewee 1). A foreign interviewee also noted that tender procedure slowed down the process and brought unwanted competition through Sberbank, but on the other hand, the bank also tried to get some benefits:

> *"It is difficult to know what was actually discussed, but it is unlikely that Gref would do this for the Salvation Army. In the beginning, the Bank received no governing fee, but later on it was also officially set up. It would be stupid not to have any fee as there are costs for Sberbank"* (Foreign interviewee 1).

However, in a strategic sense this weakened the trust among the members of the coalition, as some of the practises moved ERU buyers away, which is not beneficial for the seller either. One of these

is especially the demand to keep prices at a certain level at a time when EUA prices were constantly lowering due to the EU wide financial crisis that started in 2008 (See section 6.5). There was also a threshold between the constitutional state and administrative regime, as legally binding agreements were not obeyed:

> *"You cannot bind a foreign buyer to a price other than agreed with state decision. How can you force them if they say no? It was too simple and in that case Gavrilov lost his evaluation skill when he tried to overcharge. If you are corrupt then you should not demand that much that your customers leave you. Your corruption business breaks down if you don't have anyone to exploit. There is also a threshold in charging. Danes[35] moved away from the process, when Sberbank become the third party as ERPA[36] owner"* (Foreign interviewee 1).

With the results of interview data, the decision, but also the practises linked with the activities of Sberbank cannot be considered administrative or ordinary economic activities, but rather they were political and strengthened the position of Sberbank and state. In terms of broader governance settings the practices did not take equally into account broader interests of the coalition, showing a somewhat higher strength of the discourse of nation, while such a strict division between these two discourses cannot be made (See Kangas 2013).

6.3 The Discourse of Nation

The governmental positions could be argued to be mostly representing the discourse of nation, while discursive positions of Oleg Pluzhnikov and Vsevolod Gavrilov reflect more the business side of the debate. However, there was also nationalist tendency in their argumentation at times. The process of tenders could be argued to particularly depict nationalist discourse and the same applies to pricing that could be considered as a protectionist measure. As the consent over Kyoto Protocol was already partial and therefore the strength of the two passive revolutions was rather low and left governmental agencies with political positions not in favour of the agreement. For instance Point Carbon (2 June 2009) noted that it was argued that the Russian ministries were not only disinterested in the JI projects, but that officials were even unwilling to give a blessing for them, as it would look like giving an endorsement for the Kyoto Protocol. Transferring power to a lower level, by making an issue technical-administrative could be thus a strategy to depoliticise the issue.

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[35] The government of Denmark moved away from the process, as it perceived the investor risk to be too high after the Russian legislational change strengthening the role of Sberbank and possibility to cancel a contract and change prices of the ERUs (See Point Carbon 8 April 2011).

[36] ERPA refers to Emission Reduction Purchase Agreement, i.e. a contract through which the future purchase (in finance jargon simply a 'future') of carbon credit is negotiated (See Ervine 2014, 737; Golub et. al. 2009, 441)

Oleg Pluzhnikov (cit. Point Carbon 2 June 2009) noted that a plan to transform ultimate responsibility for JI to a lower level could enable faster decisions. The governmental indecisiveness was epitomised in the way that ”[t]he interministerial committee that draws up a shortlist of JI projects for government approval cancelled meetings repeatedly last year, and scheduled sessions failed to convene in December and last week, according to market participants” (Point Carbon 27 January 2009).

The procedure of the Russian federation to set limits for ERUs to be generated through projects could be depicted as an analogy of a central bank that controls how many bank notes are available, but in this case the market demand does not reflect decisions, but rather political, governmental interests. It was argued that actually the bureaucratic delay was a result of the Russian perception to use JI for achieving additional revenue through the Kyoto market (Point Carbon 27 January 2009). This could also be partially due to the fact that before Sberbank became involved in 2009 foreign investors owned a significant amount of carbon credits. As Mikhail Yulkin (cit. Point Carbon 27 January 2009) noted:

> *”Russian authorities dislike the fact that credits from around two thirds of JI projects submitted for approval are owned by foreign companies. […] This would mean many of the proceeds from foreign-owned projects would be banked outside Russia”*

This could be harmful in terms of “national interest”, as foreigners could achieve benefits from state-owned or strategic assets (Point Carbon 2 June 2009). The second decree could be considered to institutionalise the discourse of nation and it removed the procedure, as the key storyline was “owners of projects must be from Russia and only they can apply for the approvals (Point Carbon 16 Feb 2010).” It did not, however, restrict the nationality of the credit buyer, and second of all foreign investors simply established new subsidiary offices in Russia through sister companies (Foreign interviewee 2). In June 2011 President Dmitry Medvedev (arguably in line with his strategy of modernisation) demanded to speed up the selection and approval of the JI and agree on the amendments to the current governmental decree initiated by Sberbank (Medvedev cit. Kommersant’ 15 August 2011). The head of Sberbank, German Gref, promised Dmitry Medvedev that he would quickly establish 600 million of potential Kyoto money and get another 1,4-1,9 billion euros in 2012, before the Kyoto Protocol expires (ibid.). Such money was never achieved though due to collapsing prices.

Another epitome of the nationalist practice could be argued to be the letters with recommendations of floor price for the ERU. Sberbank representatives argued to deny that neither Sberbank nor the government has set any minimum price for ERU issuance; rather for a Sberbank

representative argued (Shatirov cit. Point Carbon 24 September 2010) that the bank "sent a set of friendly recommendations that must be observed to enable investors to gain the maximum benefits for their projects". Although the representative was correct that no minimum price is mentioned in any decree governing JI, it was still persuasive enough to establish a worrying perception among foreign capital. Oleg Pluzhnikov (cit. Ria Novosti 21 January 2011) agreed with the stance of Sberbank and agreed that restrictions enable avoidance of lowering of prices. The prices should be close to a price in the EU ETS, but with some discount. Legally this rationale was based on the Decree #780 (the third main degree) (Russian Federation 2011b) in which it is mentioned that the bank should participate and enable a "fair price" that is tied to the price of existing markets. At the time the EU prices kept on declining in the EU ETS to 8.5 euros and less for a carbon credit, while Sberbank "recommended" a price of no less than 10 euros a unit (Ria Novosti 21 January 2011). Rather, it could be argued that Sberbank preserved the discourse of nation with its practices: "Sberbank wants to become a carbon "Gazprom" in order to simply protect national interests (Anonymous expert cit. in Kommersant' 24 December 2010)". This naturally conflicts with the international nature of the JI and the Kyoto regime in general. As a representative of law firm Baker & McKenzie believed, the amendments of the MEDT are intended to provide Sberbank controls on carbon market. "No matter what JI approval procedures exist within the Russian Federation, the domestic basis is on an international agreement, which takes precedence over domestic law". Sberbank using this argument can then be interpreted as a desire to get at least some basis for most complete control of the market (Sitnikov cit. Kommersant 24 December 2010).

The pricing practises were indeed a point where the global practices of market civilisation were enabling for the Russian Federation, as it established a possibility to increase presence in global carbon markets and to gain economic benefits. As presidential advisor on the Kyoto Protocol, Aleksandr Bedritskiy, argued that JI could serve to Russia as an incentive to accelerate the country's access to world markets for carbon credits (Ria Novosti 6 September 2010). On one hand continuing tenders further strengthened the process with the interest of President Dmitry Medvedev until the end of 2011 in order to speed up project registration and issuance, an analyst argued (Kovalenko cit. Point Carbon 12 August 2011). On the other hand, the EU in particular was argued to fear that Russia, which failed to achieve the conservation of JI after 2012 would speed-up the process of issuing ERUs and flood the market with them and therefore, lower prices even more (Ria Novosti 15 December 2011) For instance, Mikhail Yulkin (cit. Ria Novosti 15 December 2011) confirmed that the EU does have concerns about the quality of ERUs from the Russian projects, but described as "childish fears" expectations that Russia could derail the market by greatly accelerating the process. In comparison a representative of Gazprom Trading and Marketing demanded a more proactive stance from the Russian government concerning "qualitative and

quantitative restrictions on the use of Russian carbon instruments in the EU (Fayzullina cit. Point Carbon 7 Sep 2010)".

The tender process was closed at the end of 2011 and projects were picked on a case-by-case basis until May 2012. This change was also considered likely to speed-up issuance of ERUs, but on the contrary also make record low prices even lower (Point Carbon 18 November 2011). Although a discourse coalition emerged against the role of Sberbank (see section 6.5), the state bodies did not have a need to react, as the bank argued to keep the generated ERU prices with the corresponding level of the EU ETS and thus retained the discourse of nation.

6.4 The Discourse of Market Civilisation

> *"Russia enters new export markets with a new item. These carbon units are traded with the really similar principles such as ordinary commodities. This item is a capital of ecological and climate responsibility of our companies"*
>
> (Vsevolod Gavrilov cit. Ria Novosti 6 September 2010).

The discourse of market civilisation is equally present in the practices concerning the JI during the Sberbank era. Arguably, by looking at the previous research (Korppoo & Gassan-zade 2014; Golub et al. 2009; Tynkkynen 2010) the indication is that the discursive power of nation has been stronger than the discourse of market civilisation stressing free-trade, privatisation and increase of the role of business. As Korppoo and Gassan-zade (2014, 232) note:

> *"In Russia, powerful industrial groups have been involved in JI on the project level and have probably directed the project selection process. However, the slow JI approval process development indicates that those interested have lacked the clout to influence the development of the mechanism, while those groups with the required connections (e.g. Gazprom) have shown little interest"*

Beyond the level of discourse, in terms of corporate strategy functioned as an economic strategy, as a tool to avoid "liquidity crisis", i.e. a lack of capital and thus decreasing market power due to a decrease of investments (as a consequence of the global financial crisis), as one of the interviewed argued (Russian interviewee 2). At this time the interviewee considered the JI clearly epitomise business strategy rather than governmental climate strategy (ibid.). Although there were formal coalitions such as the RSPP, Delovaya Rossiya and the NCU, individual companies also approached Sberbank that could be rather considered as reducing the power of market, as unitary bargaining (i.e. a passive revolution with a broadest possible economic coalition) could have likely

achieved a stronger lobby in order to advance the bureaucratic process. Individual lobbying instead was probably more likely to reduce the legitimacy of the coalition and thus weakened possibility for a field stabilisation. The difference is thus, that these business organisations tried to advocate for a more general business interest and coordinate their strategies towards ministries that aimed to develop the whole process. In comparison, single companies directed their organisational power at the project-level right towards the corresponding agency to lobby for a single project. Cooperation with other companies may have prevented their business opportunities, as the JI projects were generally perceived as highly profitable business, regardless of the collapsing prices. As Alexey Kokorin (cit. Point Carbon 8 August 2011) from the WWF Russia noted, "JI is a hostage of oligarch-based capitalism and that doesn't necessarily mean individuals, but companies".

These organisations arguably pursue discursive power, but some interviewees questioned their organisational power as a representative of Russian industrial sectors, as they could not really effectively lobby the administrative regime in advancing the JI process. One of the interviewees sums up the power of these organisations in the following fashion:

> *"Well you know, this Delovaya Rossiya and this other [RSPP] they are talking shop and I don't really consider it really as the industry. They claim to be representing industry. A lot of them were just about getting sponsors and this is not the real industry. These were not decision-makers; these were not chief executives of Rusal or Magnitogorsk Metallurgicheskaya Kompaniya or like that. […] I appreciate what they tried to achieve, but this was not real lobbying that was needed to get the bureaucracy moving"*
>
> (Foreign interviewee 2).

On the other hand it is still possible that these organisations got some of their initiatives right to the top level, as for instance Dmitry Medvedev freed ERUs from value added tax that was argued to be a demand of the RSPP (Kommersant' 20 July 2011b). In addition, organisational power with regard to knowledge of the carbon trading mechanisms cannot be neglected especially with regard to the RSPP due to the dual role of Mikhail Yulkin who is also a CEO of Climate Change Carbon Strategies (CCGS). The CCGS is a consulting company in a sense that they not only emphasised the economic rationale of the JI, but in their presentations they also stressed the environmental rationale of their projects in terms of effects of climate change on Russia that could also increase the environmental awareness of companies. To some extent the CCGS could be considered to have taken the role of an ENGO, while naturally they had clear business interest and their activities mostly increased awareness among business and governmental bodies, not among civil society. Although with regard organisational power the RSPP does not have as its members

CEOs, but however arguably the dual role of Yulkin in the CCGS and the RSPP managed to establish stronger interpersonal ties with other organisations and firms than simply operating through the CCGS, while it on the other hand keeps on publishing reports and continues presentations on the issues at stake. On the other hand the different kinds of roles these companies have, made Yulkin's role difficult, as the CCGS is environmental consultancy organisation while the RSPP is established as a corporate lobby.

As noted earlier, the later stages of the JI process could be considered to preserve the privileges of the few. As Ria Novosti (19 August 2011) noted that market experts and environmentalists showed that the preference is clearly given to energy efficiency projects in the steel sector and oil production, i.e. the carboniferous historical bloc. It was also noted that in many countries small projects have a simplified procedure for their consideration, while in the Russian procedure these types of projects could not withstand competition from the projects of "oil giants" (ibid.). Smaller projects on renewable energy or communal projects could have empowered smaller groups of people but they could have also for instance, brought knowledge of climate change beyond the elites. Gavrilov, on the other hand, argued that only a small number of projects could be really considered as foreign direct investments. All other projects were investments made by Russian companies. Rather, foreign companies served as consultants to help prepare project documentation (Gavrilov cit. Kommersant' 20 July 2011). As noted earlier, climate change is not considered as severe an issue as for instance in many Western European countries and thus through these projects broader populations could have been educated as well. Enabling projects only for big business was more likely to keep climate change as a public relations issue and simply a new sphere of making profit.

Sberbank left a lot to be desired, and it is no wonder that many forces are not happy with the status of a "carbon Gazprom" of Sberbank. None of the actors were as such against the JI, but rather they hoped the process would be either less complex, more transparent, or would have more intensively favoured projects that really have clear environmental and climate impacts. For companies it was difficult to establish a strong coalition neither for nor against, as clearly there were some winners such as Lukoil that could probably be explained with direct contact to the top that perhaps some smaller companies did not pursue. It applies to the investor side as well. The business sector (as well as ENGOs) was naturally happy that progress occurred, but it cannot be argued to fully support the Sberbank lead coalition, although it established a somewhat functioning governance process.

Both the second and third decree were highly criticised, the former because of tenders and the latter because it openly strengthened the political power of Sberbank. As for instance Ria Novosti (28 June 2010) noted that the participants of the carbon market were dissatisfied with the

new rules that brought the tender process. They were however "unconditionally glad" that the new rules were finally set up. In addition, a representative of the NCU (Fedorov cit. Ria Novosti 28 June 2010) questioned why the same performance criteria were established for projects in metallurgy and housing, while independent auditors had already proved the criteria of "efficiency". The monopoly of Sberbank was perceived as negative and argued to neglect ordinary principles of market. For example, a representative of a UK-based subsidiary of Sberbank argued: "I do not know about the law, which would allow Sberbank to set a price on the carbon market. Prices and rates may be established only by the law" (Fayzullina cit. in Kommersant' 24 December 2010). While a representative of investment bank Det Norske Veritas noted that Russian rules are bizarre and closed: "approval based on JI tenders is a Russian invention. It is an artificial limiter of market" (Fadeeva cit. in Kommersant' 24 December 2010). These storylines resonate with the discourse of nation, as already noted the global carbon market is not natural, but however this argumentation shows that there are some norms that are considered to apply in every sphere of the carbon market, although they are not necessarily formal.

The discourse of market civilisation is clear in the critique from the investor perspective, as it was considered to reduce investor interest in the Russian JI to zero. As the RSPP argued that with regard to FDI the buyers are likely to move their attention to more promising markets (China, India, Brazil, Ukraine), although more recently they have been willing to pay for the Russian ERUs as well (RSPP 2009). For instance, Point Carbon (8 August 2011) noted, "its direct participation in JI has seen investment flow out of the country." The rather emotional position of an anonymous Russian expert depicts the investor perspective even better: "In Sberbank they seem to think that all buyers of ERUs are rogues, and our investors are so infantile and unable to make a deal. Due to this they should be led by hand, and it is better to take away from them the right to sell and give it to Sberbank. All that is needed only to justify its beneficial role" (Anonymous expert cit. in Kommersant' 24 December 2010).

The third decree was criticised on behalf of Russian business by arguing "the document only adds to the problems the market, creating opportunities for corruption" (RSPP cit. Kommersant' 15 September 2011). A foreign interviewee (Foreign interviewee 2) similarly stressed the possibility of corruption, as he noted the procedure for approvals and the procedure for issuances was very difficult, but still some actors got it done very quickly while others had to wait in line. This was considered a clear indication of corruption: "Other people would not like to use the word but call it to incentivise people or whatever. […] If you didn't agree with the process you could wait for months (Foreign interviewee 2)." Mikhail Yulkin (cit. Kommersant' 15 September 2011) noted that even the third rules were unclear and that it is only clarified that the participant has to individually negotiate with Sberbank and the MNR". RSPP actually even asked to remove from the rules the

making of an agreement with Sberbank (Kommersant' 20 July 2011). It was noted that Russian carbon market participants showed less interest in the current conditions, while market prices were not in favour of Russian quotas: "Why would foreign buyers get our ERUs when it is possible to buy them cheaper from the EU ETS? (Kommersant' 6 October 2011)"

The dissatisfaction towards Russian procedures was even clearer among global actors. When these rules emerged Denmark refused to continue contracts with Russia, as it introduced Sberbank to the role of an auditor that Danish Environmental Agency considered as "regulatory uncertainty" and a possible minimum price (10 euros) for ERUs (DEA cit. Point Carbon 8 April 2011). Interviewees also noted same phenomena that Sberbank tried to renegotiate prices and that some projects especially at the early stages of the Sberbank era were exposed to it. As one of the interviewees (Foreign interviewee 3) considers the role of the Sberbank: "In that sense they did not really stay as a neutral operator. They were clearly sided." In media, it was noted that investors in general have discomfort about Russian law (Kommersant' 11 April 2011). It was also noted that there are many opaque buyers in the market, and an unhealthy interest in the projects. A Russian expert summed up the situation in the Russian market of carbon quotas with a following storyline: "I feel that the market is only left with brokers, Sberbank has scared and banished the rest (Chueva cit. Kommersant' 11 April 2011)." JISC (cit. Kommersant' 22 September 2011) was also clearly unhappy with the role of Sberbank and noted that they are planning, with the request of participating countries, to eliminate national procedures for the regulation of the market with the transfer of the JI authority at the international level. The global administrative body thus recommended establishing a supranational body in the United Nations because of the conflicts that occurred during the implementation of projects in the Russian Federation. This measure was considered to reduce risks for project participants (JISC cit. Kommersant' 22 September 2011).

The only JI project based on purely NGO activity in Russia was the Bikin Tiger forest protection project. It shows the organisational power of the WWF international as also WWF Germany was involved. As forests could be considered to be part of the discourse of nation, a 'national pride', it makes sense why also a couple of forestry related projects were conducted and actually Russia was the only country where these type of projects were conducted under the JI framework[37]. WWF Russia, however, was still more interested in changing Russia's global negotiating position, more openly and consistently than the business side of the coalition. As one of the foreign interviewees noted, the WWF Russia was more focused on getting strict targets and in the negotiating process; by advocating for JI, it was considered, the benefits of the Kyoto Protocol could be emphasised in order to make the Russian government more active on the climate

[37] Forestry projects have been more commonly conducted through CDM and REDD+ frameworks (See Stephan 2012).

negotiations and the JI as tool for that (Foreign interviewee 2). The organisation was also an active organisation in monitoring the JI process and produced reports for the JISC (WWF Russia 2007).

6.5 ***Towards The End: Market Coalition Versus Foreign Policy***

The market-orientated storylines were the ones that in the end were most visible in the JI debate, but still they were not strong enough to lobby a change in the negotiating position of the Russian government in global climate negotiations. At the end of the process even the upper levels of the government started to note the importance of JI, although it remained vulnerable to political bargaining in the global negotiations. Aleksandr Bedritskiy, a key negotiator of the Russian delegation in the Kyoto process, considered that if other countries want to retain the CDM then Russia should receive continuation of the JI. He argued that other countries tried to remove JI from texts and it received little attention in negotiations. Yet, the importance of the JI was stressed:

> *"Although that question is technical rather than political by nature it still is important for Russia. We started late. It is our trouble, Russian trouble, but we want this mechanism to work, sooner or later and that investors who are willing to invest in 2012 were confident that they would receive the necessary output that these mechanisms require"*
>
> (Bedritskiy cit. Ria Novosti 9 December 2010).

As shown above the practices linked with the JI in Russia were not appreciated globally and thus other countries did not really create a large demand for the Russian ERUs. The last years of the JI process, 2011 and 2012 were interplay between domestic and global spheres. In the domestic sphere the JI advocacy discourse institutionalised into approval and verification of projects and application of the ERU units. While, at the global level in the COP meetings, the fate of the Kyoto Protocol was debated and eventually Russia decided to stay out of the second phase of the agreement. The storyline of domestic emissions trading scheme emerged probably due to Russia's refusal for the second Kyoto commitment period.

The frustration of bureaucracy was also present among key officials responsible for the JI bureaucracy. For instance, Oleg Pluzhnikov (cit. Point Carbon 2 June 2009) argued in an email to leave his post if no replacement for the rules of the governance will be set. The personal commitment and personal relations were vital and the civil servant's frustration is easy to understand, as he had participated in the JI as well as the AIJ process since the end of the 1990s. Point Carbon (2 June 2009) noted that constant personnel changes lead to a lack of understanding or care for the JI approval among senior officials. In comparison, some actors still tried to achieve some economic benefits from the process. An example of these is Russia's second biggest bank,

VTB, which also tried to get involved in the process and to challenge the role of Sberbank. It was not only a discursive strategy to question the role of Sberbank, but also organisational as the bank established a specific department focused on carbon-based mechanisms and started to participate in various meetings concerning the JI. VTB is comparable with Sberbank, as it is an equally state-controlled bank and is the second largest bank in Russia as a part of the broader VTB Group (Vernikov 2012). Challenging the state could not have been a strategy, while Sberbank could be challenged with competition. The aim of VTB to compete with Sberbank depicts well that JI projects were perceived as a good way to earn extra profit in economic terms, but the bank neglected the ideational and organisational capacity needed. The bank had presumably noticed that the JI process seemed to finally show some success in 2011, but the timing to start competing with Sberbank was unsuitable. It was the second to last year of the Kyoto commitment period and the Russian Federation had already disapproved to continue its participation in the Kyoto process after 2012 (See Andonova & Alexieva 2012). More direct involvement of VTB would have likely delayed the process that was already in its end stage, but also increased the possibility for corruption.

Dmitry Medvedev, however, stated the following on the Russian participation of the Kyoto Protocol: "I must admit that we did not receive any special benefits of the Kyoto. In commercial terms we were not able to take advantage of it as we should, and it is absolutely fair (Medvedev cit. Ria Novosti 18 October 2012)." As some foreign interviewees (Foreign interviewee 2 and 3) especially noted that in practice the money achieved was "peanuts" compared to Russian exports of oil and gas and therefore that could also be considered as a rationale for the statement of the Russian President. Although the Russsian Federation refused the second commitment period of the Kyoto Protocol, Deputy Prime Minister Arkadij Dvorkovich argued that he also considered the possibility of biletaral cooperation with the EU, although with no consideration on the potential of the scenario (Dvorkovich cit. Ria Novosti 18 October 2012). This could be partially a response to the coalition of business and ENGOs, as for instance a representative of Gazprom Marketing & Trading Ltd had the same position (Fayzullina cit. Point Carbon 7 Sep 2010).

Aleksandr Bedritskiy (cit. Ria Novosti 18 October 2012), the presidential advisor on climate change had the completely opposite position and stated that the possibility of changing the political decision to non-participation of Russia in the Kyoto-2 will not be discussed, as the benefits are illusory. A couple of days before he (cit. Kommersant' 15 October 2012) stressed that the Russian business interests are not those of industry, but rather of a small number of companies. Those businesses were considered to hold an illusion that also in the second Kyoto period they will trade quotas and conduct projects, while it was argued that especially the EU had no interest in that (ibid.). Possibly as result of the global failures in global climate negotiations, the discourse of

domestic ETS emerged in the debate after a little break. As indeed JI projects do not themselves put any regulative pressure for companies, therefore for instance Alexey Kokorin (cit. Ria Novosti 23 September 2010) argued that for establishing internal price a domestic ETS is needed.

Business as well as ENGOs throughout 2012 insisted that they see no risks or disadvantages of Russia's participation in the agreement, although it does not necessarily contain equally beneficial economic benefits. For instance the RSPP noted with their letter to the government that Russia's refusal to participate in the second commitment period under the Kyoto Protocol is "premature and inappropriate" and pointed to the risks of infringement of the rights in a number of sectors that are vulnerable to international regulation of greenhouse gases (Ria Novosti 18 October 2012b). Oleg Pluzhnikov sided with the same position and argued the he could not see any problem in frequent updating of regulatory documents, as in this case the focus was on a major restructuring of the international regulation (Ria Novosti 12 October 2012). He also argued that the adoption of new commitments, inparticular, would ensure the protection of the national economy from carbon restrictions imposed by the countries that limit their emissions domestically (Pluzhnikov cit. Ria Novosti 18 October 2012a). Worth noting, however, with all the actors is that they are not the ones pursuing the highest possible authority and their possibility to advance their own position through bargaining is considerably weak, regardless of their probable connections to the administrative regime.

The last scene of the JI process could be depicted in the way that the support for global climate agreement and carbon trading specifically is broad among the key stakeholders of the process, including ministries, while the high-politics or foreign policy support is what is missing. In the last months of 2012, the director of the WWF Russia Igor Chestin (cit. Ria Novosti 18 October 2012a) called the Russian position “politically and economically unviable”. As the head of the organisation argued, Russian business insisted that it does not see any risks or disadvantages of Russia's participation in the agreement while some economic benefit from its mechanisms can be extracted (ibid.). Similar arguments were formulated in the MEDT, which in autumn came out openly on the side of business. Right after the global negotiations held in Durban at the end of 2011, Delovaya Rossiya organised a similar meeting to discuss perspectives of the JI. It included representatives from Russian business (for instance Metallinvest and SIBUR), banks (Sberbank and VTB), state organs (the MEDT and Roshydromet), and WWF Russia as the only ENGO. All of them openly disapproved of the official position of the Russian government not to participate in the second Kyoto period (Delovaya Rossiya 2011).

7. The Development of JI Governance in Russia

This chapter establishes a theoretically grounded neo-Gramscian explanation for the research questions. It also constructs a broader, but also more in-depth picture of the carbon market making practices in Russia and why they lacked trust and credibility especially abroad. The chapter starts with the role of the carboniferous historical bloc and continues with the discussion of key discursive, economic, and organisational changes. Finally the last section will discuss with more detail state-level processes in terms of norms and values and how they link to the current neoliberal world order that the climate capitalist practices represent.

7.1 JI and the Carboniferous Historical Bloc

> *"I would be greatly surprised if it [JI] had any impact on so like corporate environmental profile of Russian companies. My expectation would be that you have some companies doing that for CSR [corporate social responsibility] purposes when they're doing public offering in London or New York or somewhere. Then they would have some focus on that they have some nice words written. But real action, I would be very surprised if you see any real impact, long lasting impact from JI"* (Foreign interviewee 3).

It took in practice until 2010-11 before the field stabilisation occurred when the third decree governing the JI process came into force and even then it left many hopes and challenges for the key stakeholders. It is good to acknowledge that one global climate mitigation mechanism cannot do miracles, especially when the Russian negotiated mitigation targets were really low, while simultaneously there was no broad consent over strong domestic climate policy among the general public or among governmental elites, i.e. the administrative regime (see pages 42-45). The JI mechanism focused mostly on company level emissions, while regional authorities, cities and indigenous peoples also participated in a small number of projects. Thus, awareness of climate mitigation was mostly increased among elites in the spheres of government, business and ENGOs, while no broader social force emerged to provide a counter-hegemonic alternative to emissions trading. Naturally experts that consulted companies and civil servants of state agencies also achieved new knowledge that they would like to use in order to retain their employment. Following the argument of Stephan (2011) and Okereke and Matt (2014) concerning the transformative aspect of the hegemonic emissions trading project, the research results show that the JI governance in Russia can be equally argued to sustain not challenge the hegemony of carboniferous historical bloc consisting of industrial sectors highly dependant on the use of fossil fuels.

The carfoniferous historical bloc was also able to accommodate its interests at discursive, organisational and economic levels through a war of movement, yet it was confronted with strategy of passive revolution by the state. The state bureaucracy interests expressed in a form of a passive revolution, enabled key corporate actors especially in energy, metallurgy and cement to gain profits from the JI in terms of FDI and modernising technology, all the while it introduced barely any domestic policies in terms of emissions standards and related regulation that would have activated companies to change their activities towards low carbon direction. Complexity, but also openness of the JI was perceived as a challenge among corporations while the stress on the domestic ETS at the earlier stages of the debate was considered to be easier to be accommodated into corporate strategy, The state hegemony was thus mostly preserved with the co-optation of business.

Yet most of the projects could be considered business-as-usual projects, as energy efficiency remained low concern and transformation towards renewable energy was mostly neglected that the ENGOs criticised (Kokorin & Korppoo 2013, 3). On the contrary the business co-opted somewhat ENGOs and some of the officials into a coalition that aimed to achieve a war of movement at various stages of the debate from the critique of lack of needed legal framework for the JI to critique against decision of Russian government of not participating in the Kyoto II. The key beneficiaries of the JI were thus governmental and carboniferous business elites, while ENGOs regardless of strong participation of the WWF Russia in various round tables for instance could not similarly get their targets through. Even the third decree that added criteria to reinvest carbon credit revenues to further green investments institutionalised the interest of the MNR that wanted to be involved in the JI, as it had showed advocacy to it already during the debate on the ratification of the Kyoto Protocol. This addition, however, did not fix the shortage on investments on renewable energy.

As argued in the neo-Gramscian approach, a construction of a historical bloc requires actors or individuals that are able to influence development of a field. In the case of the JI, especially some of the officials and experts could be considered such organic intellectuals. Namely Alexey Kokorin through the WWF Russia was arguably the only representative from civil society sitting in the same table with the business and governmental officials. Before Sberbank was introduced into the process the UES was influential, but as the company was privatised, no longer-term effect was established. Possibly due to the longer-term plan to privatise the firm, no authority was given for the firm. Finally, and propably most importantly business interests were also partially co-opted by Oleg Pluzhnikov and Vsevolod Gavrilov in the MEDT and the MNR, as well as in Sberbank. Especially these two civil servants at the governmental level managed to gain a significant amount of knowledge throughout the JI governance process and also showed clear personal commitment for advancing it. Arguably the domestic deployment of the JI mechanism would have possibly been

even more difficult without them. Pluzhnikov had dealt with the carbon trading related issues since the turn of the millennium and arguably had a high level of knowledge how things could be conducted. Remembering the highly authoritarian system in Russia, as they were not ministers or other officials pursuing similar type of authority, they lacked organisational power, although at the discursive level they kept the issue in the agenda. As Gavrilov belonged to the liberal fraction of German Gref who also understood to some extent the nature of the JI and was propably able to lobby some of the ideas for the administrative regime and president.

The economic liberals in the government, that both of the officials could be argued to be with their argumentative positions and simultaneously partially liberal managers among state corporations and directors in the environmental and sustainability sections of corporations could be argued to be the key organic fraction that drove JI forward. Yet even these two key ministries shared different storylines that support totally opposite approaches on governing carbon emissions. The position of the MEDT supported fully strengthening the business interests and considered that the market will enable efficient and fair distribution of resources, while the MNR considered that companies should not get any benefits but the state and therefore traditional regulation is the best way to achieve the goals. Thus, the leadership of Putin in the early 2000s that removed a significant amount of corporate influence of politics could still be argued to be constraining factor from the point of view of corporate lobby and their co-optation with the government.

7.2 ***Discursive, Economic and Organisational Changes***

The JI mechanism was to some extent a driver for companies representing the carboniferous historical bloc to change their practices, but it cannot be considered as strong influence in any way, and rather they aimed to stabilise the field barely changing their practices. Actually the projects were more likely accommodated with general corporate economic strategies:

> *"Basically the JI projects that were developed in this time, in the first commitment period, I would say 90 per cent of those projects would have been implemented anyway. They were not implemented because of JI, but they were implemented because the industry needed to update technology, needed to improve energy efficiency and JI was a nice icing on the cake, a nice bonus"* (Foreign interviewee 2).

As argued in the section 6.2, the reactionary form of passive revolution advanced state interests and position and it thus co-opted business interests with the ones of the state for continuing to achieve export revenue from oil and gas, while disabling corporations to gain additional power through the JI projects through a war of movement. Especially introduction of Sberbank to the role

of an auditor the Russian government managed to keep its discourse of nation as Sberbank could control intake of projects and the amount of emissions to be reduced and the amount of ERUs sold outside. It could be explained that Russian government perceived as creating fully free mechanism would have given too much power for corporations and therefore the strategic use of Sberbank could be understood. The state wants to strategically control the energy industry and therefore freeing this sphere by establishing more voluntary forms of carbon trade would have given more power for the market forces and the discourse of market civilisation.

To an extent the government responded to a demand of coalition advocating for a market based coordinator for JI, but giving this role for Sberbank and simultaneous organisational changes personalised in German Gref and Vsevolod Gavrilov from positions in the MEDT to Sberbank enabled to secure the state interests. Propably the Russian government perceived that the bank was an institution that pursued the best knowledge and thus material capabilities to respond to the pressure from global finance, and therefore it was chosen instead of any governmental agency. The role of Sberbank, on the contrary also strengthened the disbelief on governmental policies from corporate perspective, as the government did not sufficiently enable settings for carbon commodification and thus disabled some possibilities for a war of movement by corporate actors. The co-optation of the carboniferous bloc was from this point of view limited. Yet even at the latest stages of the JI process some actors such as VTB tried to become a participant and aimed to challenge hegemonic market position of Sberbank discursively, but also institutionally with the participation in the discussions of the JI.

At the corporate level the increase of at least discursive practises in terms of branding and so on is likely the most visible among the ones which are dependent on trading internationally and globally and which are dependent on also international finance markets (Foreign interviewee 3). The difficulty remains that you cannot measure if the JI projects have really reduced Russian emissions during 2004-2012. At the level of an individual project it may have occurred in some cases, but in total the question of additionality remains unresolved. It is probable that only mostly those companies that were involved in JI projects or companies that operate in a more international level are the only ones that would have the motivation to really invest on technologies for achieving low carbon economy. For instance third foreign interviewee argued that the development of domestic emissions trading scheme was already discussed in 2002-2003, and even now it has strategic value at the level of discourse, while it is not yet institutionalised into any concrete actions. The development of the new domestic offsetting scheme is somewhat influenced by JI and may to some extent be one of the factors defining the ‘limits of the possible’ for the future design of the mechanism. The emerging storyline demanding for ‘domestic market’ does not seem to have much linkage with other policies that could have some climate benefits. The concern on green issues has

increased also among corporate sphere, but it will not be top priority among Russian companies. On the other hand companies focusing on renewable energy and related issues are local in economic scale, rather than regional or nationwide (Russian interviewee 1).

A change at the economic-material level is the most difficult to detect, as most of the interviewees argued that the additionality of the projects was questionable in a significant amount of projects, i.e. projects would have occurred anyway. In addition, the interviewees were not sure what types of projects could be argued to really change corporate practices, if at all. As one of the interviewees (Foreign interviewee 2) noted "It's difficult to pick out the JI as a key driver to develop projects". One of the interviewees considered that projects reducing N2O emissions at fertiliser companies could be a good example where the JI itself was the driver and companies thus spent a significant amount of money in catalysts and monitoring equipment. However, it was added that when the JI stopped a lot of these projects went into reverse (ibid.) In many interviewee positions it was also stressed that the money earned from these projects was rather small, 'peanuts' as one of them argued (Foreign interviewee 2), especially from the point of view of government.

On the economic level some companies established carbon registries, but it was arguably the only measure in material terms they used, as the results of the analysis do not indicate that they would have put further effort to advance use of renewable sources and so on. The following comment sums up the corporate position well:

> *"Corporations were in principle interested, but I don't believe that the unstable governmental policy really motivated corporations to pay attention on their carbon emissions. As I said before everyone is interested in modernisation and if it also reduces emissions it is positive. If there are no tariffs or taxes I don't think corporations will be strongly interested in it"* (Russian Interviewee 1).

Equally significant influence can be international concerns that are partially linked with the company brand. For instance in the cement production the emissions are so high that companies were considered to really have conducted accounting and mitigation measures beyond the JI needs, as the emissions positive results of carbon offsetting were so significant. Steel industry was also considered to do it, at least partially, but for every other industry a high doubt was raised (Foreign interviewee 2). The JI was for the most of the firms simply a way to achieve additional investments. The business models of companies especially in the field of natural resources remained mostly unchanged.

Counting emissions could be considered as strategic measure, as unlike in the EU in Russia there are no compulsory commitments for companies to establish inventories of GHG emissions

and to report reports for the government. This rationale could be understood in a sense that it does not constrain the development of Russian business activities and second methodological and institutional frameworks were not developed to support this type of business activity. Regardless of these constraints some businesses developed their own counting mechanisms during the process, although as the report of Environmental Investment Organization (2013, 21) stresses that only 4 % of Russian companies provided complete and verified data and 13 % complete but non-verified data. Thus improvement of material capabilities cannot be argued to be widely preferred business strategy to shift towards more transparent GHG emissions reporting. The most propable change in terms of carbon emissions is more like that they have become a new legitimate commodity.

Environmental organisations do not have at the moment any capability to really emerge as a social force to challenge the carboniferous bloc, as they do not have significant material capabilities to invest on the climate issue and emerge as a counterhegemonic social force, as their financing comes mostly only from domestic sources. Environmental NGOs namely the WWF Russia tried to challenge the carboniferous bloc by advocating for projects that have clearer climate and environmental benefits, not necessarily even at the discursive level, for instance by publishing press releases on the issue[38]. By looking strategically, it seems that the ENGO by cooperating with and influencing business and state actors managed to establish a legitimate role among key stakeholders concerning JI. In many other issue areas the Russian federal government would not even have considered discussing with the representatives of civil society.

As a consequence of the JI itself hardly many new coalitions were established, but rather they had mostly emerged during the Russian debate on the KP in the early years of 2000. However, the gained experience from these projects was influential in constructing general corporate perceptions on global climate policy that is considerably positive compared to their international competitors and counterparts in Europe and Northern America. Thus, when looking at the global level on the power of the carboniferous historical bloc, Russian corporate positions could have actually threatened the strategies of companies operating in other countries of the bloc. The global carboniferous bloc has generally opposed any global agreements, while the JI managed to establish a discourse coalition to advocate for climate change mitigation, but it is weak by considering the number of actors involved and their capabilities to act. It is also difficult to say if it indeed was successful, as at the governmental level, not any ministry or agency (beyond Roshydromet) advocates for any given climate policy mechanism, whether market-based or not, as there are better

[38] In addition to the WWF by looking at the sheer number of news articles or press releases, by searching from the websites of Bellona, WWF or Russian Social-Ecological Union with the timeframe 2004-2012, the most significant amount of releases were by Bellona that published dozens of them, while for instance Greenpeace published only a couple.

sources of achieving revenues for the Russian state and beyond foreign policy circles the pressure to mitigate GHG is rather low.

In the end, one of the possible ways to understand why emissions trading was not questioned is to recognise that due to the centralisation of power in Russia policy changes do not require broader societal acceptance, while equally important is the low societal interest on climate change (See Korppoo & Gassan-zade 2014). As the climate change debate is itself rather superficial in Russia, it is unlikely that specific position on more in-depth climate policy issues such as the role of JI mechanism would emerge beyond elite circles (i.e. financiers, business coalitions, NGOs, governmental and scientific bodies concerned with the issue).

7.3 ***Meeting with the Norms and Rules of the Climate Capitalism***

> *"Many think that there was less to milk as due to the international rules and foreign actors it was too public. These types of issues tend to slow down the functioning of system, as one of the key drivers tends to be organisation or private interest to govern the process"*
>
> (Foreign interviewee 1).

> *"I think it's fairly safe to say that you don't have any strong link between … strong link using JI to achieve climate policy aims"* (Foreign interviewee 3).

This section links the relationship between 'world order' and the 'form of state' together by discussing how the Russian government met with the rules of the Kyoto regime characterised by practices of climate capitalism. As argued in chapter 4, the Kyoto Protocol (KP) was established under as a diffusion of norms and values associated with neoliberalism and ecological modernisation and this created tensions in the Russian deployment, due to their lack of embeddedness into Russian institutions or practices. As noted (see 45-48), when the KP came into force in 2005, the formal legislation in the Russian Federation with regard climate change policy was yet mostly unestablished and even now remains loosely coordinated, although more legislation in the sphere of energy policy especially in terms of energy efficiency has appeared closer to the end of the 2012. There are actually some examples that depict state resistance for the international rules and norms that lack of necessary letter of approval at the early stages or demand of investors to pursue a company in Russia epitomise. Although the goal of the KP was to strengthen ecological modernisation, in the case of Russia it simply strengthened (technological) modernisation that may have climate mitigation effects, as simply for instance changing old turbine with a new one can increase energy efficiency. Russian domestic climate policy simultaneously developed during the JI process, and therefore it did not necessarily follow the institutional development constantly. This

also reflected on the material dimension, i.e. the nature of projects that were in the end deployed. As one of the Russian interviewees notes that clearly climate mitigation projects are difficult to find, but they however existed. He added that projects were in the end business-as-usual projects and new agreement should decide how these issues could be overcome (Russian interviewee 3).

Russian governmental policies such as controlling the strategic economic sectors are an epitome of dirigiste discourse of nation that aimed to secure the power and wealth of the state (in line with the strategy of 'passive revolution'), all the while it aimed to control business activities. The government wanted to pick the fruits of the JI mechanism but aimed to keep in its own hands the influence of neoliberal aspects of it. Free trade of ERUs among different Kyoto member states and their affiliated investors and giving property rights to Russian companies were especially elements representing the neoliberal world order and thus reluctantly accepted by the Russian government. The idea of carbon trading contains more liberal values of decreasing the role of the state and co-opting corporate interests but could not gain a hegemonic position. However, especially during the presidency of Medvedev, this even at times antagonistic position between discourses of nation and market civilisation was stabilised.

There are, however, aspects that could be argued to establish some changes in the regime construction domestically, such as enabling some policies otherwise not deployed. Although the JI governance could not be considered open and transparent, the international nature provided a push to some extent into that direction. Norm diffusion has had a similarly limited impact on Russia's climate politics due to the weak position of environmental groups and low public concern with climate change (See 46-49). The practises that could be linked with the administrative regime were not much publicly debated and that brought uncertainty especially for foreign actors. The international nature of the JI also managed to reduce some of the corruption that the planned domestic ETS cannot necessarily do. The norms and rules considered to be a vital part of the JI governance were thus not obeyed. In the end, this is also a question of agency, as no clear and single unified authority was established for governing the process, although the idea was already suggested right at the start of the process (Shislov 2012, 18).

The difficulties with the projects highlight the general difficulty linked with the establishment of additionality, i.e. that the project would not otherwise have occurred, but also to some extent the difficulty to establish a reliable baseline for a given project. Especially the foreign interviewees considered that additionality should be ditched and rather the focus should be on the project baseline:

> *"I think you just need to look at your baseline […] whether you have a justifiable and defendable baseline what would have happened, if you had not made this project. When it's*

so difficult to filter non-additional projects away why not just take the criteria away altogether" (Foreign interviewee 3).

However, regardless of the position of the interviewee, he also noted that neither baseline setting was clear. For instance he noted that one of the succeeded projects was originally approved with one baseline and then over very short period in one summer it was suddenly reregistered with a new baseline with a dramatic increase of ERUs (Foreign interviewee 3).

As one of the interviewed (Foreign interviewee 2) noted additionality is rather "a very political thing". For instance obeying financial additionality, i.e. that without JI revenues the project would not be feasible was considered very difficult: "If you would be that strict then you would kill JI and the CDM right away (ibid.)." The interviewee had hoped that during the first commitment period the investors would have persuaded the industry that the JI works and that you can make money out of it by picking the "low hanging fruit" and in the second commitment period (that Russia refused to participate) they would have moved to more difficult projects dependant of JI revenues (ibid.). Other interviewee (Foreign interviewee 3) considered that the most common projects of gas flaring could be ones that were additional, but still "it's not like 100% that you could say that". Second of all as there was no strong linkage with exactly climate policy. For example the interviewee (ibid.) found it difficult to link landfill gas projects with the energy efficiency policy. Another example gas flaring projects could be propably easier fitted into Russian policy goals. One of the interviewees (Foreign interviewee 1) noted that it was a report of the World Bank or similar organisation whose publication mentioned Russia as one of the worst performing countries in terms of flaring and this may have possibly sparked attention to it by linking it with the Russian foreign image. Other interviewee (Foreing interviewee 3) noted that before the JI there was not many investments for the improvement of excessive gas flaring and thus these projects may have moved the policy to right direction.

In principle Russian carbon credits were counted using the norms and rules given in the Kyoto Protocol, but in practice, however, none of the European governments really could believe in them, as it was generally known that Russian credits are not as well counted as for instance the European ones. It is also partially due to EU countries' interest towards CDM as it could be linked with their development policies and thus politically more feasible. Another equally important factor was also general disbelief not only on the role of Sberbank but also on the Russian ERUs on how they were being accounted and generated. As with any fictious commodity one should believe that it pursues a value in a sense a hegemonic position that it is generally considered legitimate and that no one questions it. In addition there are market rules how a commodity needs to be sold and generated, and if you do not obey them you may end up in court. Finally, as emissions trading is

linked with the global financial markets, the governance was also vulnerable of the financial crisis that emerged in 2008. In Russia this crisis did not have equally severe effect, as the only linkage with the global carbon market was the JI. The question concerns also the fact that if European countries that are already buying the biggest share of Russian oil and gas should they also finance the modernisation of Russian fossil-fuel producing capacity or instead demand Russia to transform itself to a low carbon path with the use of renewable energy.

The vagueness and intransparency that the Russian government could not always govern lead also to legal issues while also reduced investor demand and increased fear of an investment risk. For instance a project conducted in a chemical company Halopolimer generated a large amount of carbon credits, but they were sold twice, first to a fund named Natsource and then to Swiss trader Vitol stressing the vagueness of accounting practices (Point Carbon 8 August 2011). In addition, these carbon credits were result of reduction of HFC-23 that produces 11,700 times more emissions than the equivalent of carbon dioxide and thus makes profits also equally higher[39]. Although this could be considered simply a technical question, it had also clear political implications domestically and globally, but also economic implications in terms of demand. Lack of needed data was also an issue with some project types such as gas flaring: "there was no such data and so they created it and you can imagine how data can be made [laughter] (Foreign interviewee 1)."

Finally, in the end it is also a question if the JI projects really managed to generate globally significant climate mitigation that is the key aim of the Kyoto regime. Market mechanisms can to some extent avoid issues such as otherwise not deployed policies relevant to climate mitigation, but in order to be effective they require broader societal commitment to climate mitigation that is yet to be achieved in Russia. Increasing appeal of car ownership, consumption and air travel among Russian citizens combined with barely any educational programmes (beyond NGOs) advocating for (ecological) sustainability of lifestyles or development of public transportation (See Kokorin & Korppoo 2013). All of these factors highlight that it is highly difficult to achieve broader consent among business or broader population for strict emissions reductions targets. Although at the moment market-based solutions are favoured for governing climate change mitigation, the targets could be easier strengthened with introduction of stricter standards in various spheres of Russian economy. It is going to be equally difficult to persuade Russian government into action in global negotiations, as the current world order is highly dependant of energy and this dependency sustains the bargaining position of the state of not supporting any significant measures on emissions reductions that is also constrained with the nationalist discourse.

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[39] Ervine (2014, 733) noted that Chinese, Indian and Central American firms increased production in order to destroy more HFC-23. The European Commission (2011) passed a legislation to ban the use of CERs generated from HFC-23 and N20 projects to be traded in the EU ETS after April 2013. However, the ERUs did not receive the same kind of ban, maybe because Russia was unlikely to participate in global carbon markets after 2012.

8. **Conclusion**

> *"Carbon trading is a technical fix for what is basically a political problem over resource access. The discourse needs to shift from corporate social responsibility and corporate citizenship to corporate accountability and more democratic control over corporate activity. Our theories of capital accumulation and resource utilization have been largely responsible for the current crisis"* (Wittneben et al. 2012, 1445).

In line with the argument of Wittneben et al. the key finding of this thesis is that carbon trading and offsetting schemes are unlikely to provide a broader incentive for corporations to change their activities towards low carbon economy. Other policies, such as strengthening emission standards or removing subsidies from fossil fuel companies could have provided stronger incentive to this climate beneficial direction. However, due to hegemonic position of carboniferous historical bloc in Russia both at corporate and state levels that are highly dependent of energy export revenues this type of change is difficult. The 'limits of the possible' in a neo-Gramscian sense thus lay in these factors, as any measure having a negative effect on this dependency is likely to be confronted with a resistance. One of the critical remarks is that applying market or non-market based measures to govern climate change mitigation will not provide a solution, if progressive climate policy is not enforced in all economic sectors or civil society. A move away from 'problem-solving approach' (Cox 1981) based on single projects to a systemic approach is thus needed. It is arguably difficult and the way to enhance this change could be from hegemonic institutions establishing hegemony such as church, education and media. They can enhance significantly concern and knowledge over climate change and thus help establishing a broad social force.

Basing climate change mitigation on command and control or market based mechanisms (or to a hybrid form) the regulatory target, the cap, needs to be high enough in order to provide really counter-hegemonic alternative. As Ervine (2014, 727) argues at the moment the record low prices do not provide any incentive for emissions reductions or deployment of greener technology among fossil fuel companies. This is equally valid in Russia, as for instance Andonova and Alexieva (2012, 620) note that climate scepticism still exists among some scientific circles, but also in the media and public discourse, the key hegemonic institutions. Newell (2008) argues it is important to find social forces that may be able to enhance a progressive change and it can also be a way to evaluate the results of the JI governance. Corporations are unlikely themselves to become a progressive social force, although they can strategically support counter-hegemonic initiatives of civil society by developing technologies enabling a move towards low carbon economy. If there is not much pressure in political terms or even demand in economic terms, then corporations can

simply continue pursuing their old strategies enhancing the position of carboniferous fraction of capital and pick berries from the top of the cake, as it occurred in the case of JI.

As noted earlier, the eligibility of JI projects and ability to transfer ERUs generated by them ended in 2012, but it left a small coalition that is at the moment transferring its advocacy for domestic carbon market. The change, however, is not significant regardless of the use of discursive and organisational power of the coalitions in terms of producing reports and position papers and organising meetings among key stakeholders. The established coalition is yet rather weak as also the number of actors is rather limited. It consists mostly of economic actors such the RSPP, Delovaya Rossiya, CGGS, and the only significantly active ENGO remains WWF Russia whose strong role is arguably related to its general advocacy for emissions trading that its Gold Standard programme on voluntary offsetting is key example. There are also some advocates among civil servants at the government, but also among academic circles. However, as Kokorin and Korppoo (2013), note this coalition does not have many international linkages that is a constraining factor.

Combined with strengthening of environmental norms and lowering of fossil fuel subsidies as a 'stick' and Joint Implementation projects as 'carrot' could have provided real incentive to participate in the process, but also expand investments on energy efficiency and renewables. This is also relevant for the development of future mechanisms in Russia. The idea of technological transfer from highly developed countries to lesser developed as an idea that JI projects is not as such bad, but as the case of the Russia shows, it requires broader enforcement. Setting stricter rules on how domestic settings for the projects should be established could be a good starting point for future climate governance. Russia could have been a fruitful example for carbon trading advocates, as no one really questioned the rationale of the JI projects in Russia. It is rather a lack of political leadership at the highest levels and ill-functioning institutional settings of the 'tenders' that decreased the interests of both domestic and foreign actors to engage with the process. Therefore the arousal of changes could be mostly characterised as a passive revolution in a reactionary form sustaining status quo.

The Russian example shows that more democratic processes are also needed for governing the political economy of climate change, as it simply sustained the privileges of the few. There are unquestionably severe environmental problems that simply technological modernisation, through the JI projects, cannot overcome and therefore stronger civil society that could raise its concern for environmental issues and other societal issues at stake is needed. Regulative measures are easier to make transparent and it is easier to design them in a fashion that every actor involved understands, as complex methodologies of carbon offsetting requires more knowledge. It is politically less costly to advocate for flexibility of emissions reductions, but ethically stricter emission cuts are needed to overcome the challenges brought by climate change.

At the moment, the global climate negotiations are at a standstill and there is now some time to think regarding future solutions for achieving a low carbon economy before COP21 in December 2015 in Paris that may provide a new momentum for globally binding climate pact. It is unlikely that emissions trading would have lost its appeal, but rather, it may simply move one level below from global to domestic and regional levels that the various ETS schemes for instance in China and California depict (See Stephan & Paterson 2012).

Among non-state actors only corporations have currently enough power in all the three dimensions that could push more ambitious climate policy forward. In a strategic sense, ENGOs could direct their activities to advance corporate emissions reduction performance such as with advancing environmental standards, while state-level lobbying is arguably equally important. Carbon markets have somewhat depoliticised climate change among Russian corporations and changed the antagonistic perception of climate change as constraining growth. Yet, there is little evidence that those roughly 200 companies that participated in the global JI process would have changed their strategies towards more environmentally friendly practices, while they may use participation of the JI process to show discursively in terms of branding that they care for the climate and environmental issues.

In terms of future research concerning Russian climate policy or the JI in specific there are still some aspects that could be studied especially the future scenarios or changes in corporate environmental profiles. This thesis did not investigate activities inside corporations and therefore a case study orientated research focused on how climate issues are perceived between various business sections inside the firm could broaden understanding on the role of corporations in Russian climate governance. Another interesting topic could be investigation of upcoming domestic ETS and its limits and possibilities.

The global climate change policy is in stagnation, in a climate impasse characterised by uncertainty (Levy & Spicer 2013) at the moment and it is not likely to push much modernisation in Russia that would have direct climate benefits or influence the carboniferous historical bloc. However, energy policy and especially increase of energy efficiency can establish indirect mitigation effects. Russia is not the only villain in terms GHG emissions and therefore also more just climate policy is also needed. Finally, ordinary people regardless of class perceive consumerist values as hegemonic and this perception needs to be changed, as corporations in the end operate with consumer demand. Regardless of market-based or command-and-control based emissions reductions targets need to be strict in order to effective and that requires consent among civil society that is currently barely non-existent in Russia. Therefore simultaneous development of domestic climate policy with deployment of global mechanisms would prove most effective.

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Appendix 1 – Translation of Interview Questions

Themes and questions concerning Joint Implementation projects in Russia.

1) Please describe what kind of role did your organization play in Joint Implementation projects in Russia?
2) Joint Implementation projects started rather late in Russia. Please discuss, are reasons on a) governmental b) political c) economic factors?
3) How vital you consider JI projects as a part of the climate policy of the Russian Federation during the timeframe of 2004-2012?
4) Have market-orientated projects been able to reduce emissions as efficiently as possible or could alternative mechanisms such carbon tax come into consideration?
5) Evaluate the role of Sberbank: did it provide any purpose to include Sberbank for tenders in Russia or could some other actor be better suited for this task?
6) What kind of possibilities does a) international investor or b) Russian host company have to influence the deployment of Joint Implementation projects in a) project governance b) in policy level?
7) What do you reckon, have Russian companies as a consequence of JI projects started to reduce their emissions more intensively? If so, please provide examples (such as deployment of new technologies, demand for stricter climate policy or something else).
8) It is unlikely that Joint Implementation project are going to be continued after 2012 in Russia. Are the experiences achieved from these projects, however, likely to influence climate policy of the Russian Federation with regard new market-based mitigation measures for instance?