

# Unobvious probable

The Russian economy once again over the past 40 years is passing through an exceedingly difficult period. In addition to all the problems economic agents had to adapt to operating on principles of market coordination, there are now challenges caused by an aggravated climate agenda and the coronavirus. The sum of all these factors results in the actual lack of economic growth over a long time, mothballing of an inefficient structure of economy, falling real disposable incomes, growing numbers of needy compatriots, and negative population growth.

The federal government is engaged in a grueling search for ways and approaches of resolving the above-stated problems – national projects are designated; a new version of socio-economic development strategy is prepared. Similar processes are underway at the regional level albeit this level has a narrower scope of possibilities.

A narrower range of tools and their low efficiency stem from two major circumstances: 1) the lack of real levers to put forward and implement project solutions on behalf of economic subjects (most notably large vertically-integrated resource companies that use natural resources); 2) inadequate skills and experience in resolving tasks of such scope.

This is why the vision of current reality as well as own future on the regional level is mostly of a ‘derivative’ nature from programs and plans by public and private corporations. In this respect, the latter often target high marginal efficiency for big business. The ‘derivative’ nature determines that various decisions – on the corporate and regional levels – lack consistency timewise. The last thing is very important due to the resulting absence of connection and interdependence of various steps and processes over the whole post-soviet period.

We see a clear example of all the above-mentioned specific features in Kuzbass with all its strategic documents developed over the latest decades. At the time when the Ruhr basin in Germany demonstrates how long and purposeful the process of restructuring and reset should be in the modern economy, Kuzbass is thrashing around between one concept and another unable to bring any single one to its actual conclusion.

On the one hand, Kuzbass is an example of a successful reform of its leading specialization – the coal industry. The reform saw the closure of inefficient and outdated mines and coal companies to clear the way for an increased coal output based on higher labor productivity. On the other hand, restructuring of the coal industry augmented the resource dependence of the region, brought down the demand for manpower, and seriously deteriorated the ecological situation.

On the whole, we believe that the general socio-economic effect of the restructuring has resolved the problems that accumulated in the region and caused new ones equally complicated. The authors of this issue have to admit that ‘the negative side of the current model of development of the coal industry in Kuzbass and increased output from open extraction is a growing area of damaged land that alters the profile of the earth surface and either completely or partially destroys the biological diversity (the paper by A. I. Kopytov, O.A. Kuprianov, Yu.A. Manakov, A.N Kuprianov). Presently, Kuzbass has over 150 thous ha of damaged land with the annual restoration of less than 2 thous ha. Meanwhile, “in the base coal extraction industry, there is several times higher dependence of local industry on manufacture and supply of technological equipment from abroad” (the paper by S. V. Bereznev, E. E. Kulpina).

The deterioration of the ecological situation, primitivization of economic structure led to falling living standards and, as a direct consequence of those, to a faster population outflow.

One of the ‘fundamental’ reasons is that the process of restructuring the leading industry did not so much target solving the problems of socio-economic development of the whole region as established ‘special’ relations between the regional executive powers and major coal corporations. We believe that in Kuzbass “...all strategies and programs were just a cover that the regional authorities used to lobby the interests of the coal business” (the paper by V.A. Kryukov, Yu.A. Friedman, G. N. Grechko, Ye.A. Loginova).

One cannot ignore new challenges and external shocks. Those are the global climate agenda and the process of transition towards the model of low carbon development of the global economy which has already started. It would be in sharp contrast with such trends to conjure old ‘mantras’ about safeguarding the role of ‘high-quality Kuznetsk coal’ on the markets of South-East Asia and calls for

speedy development of a so-called ‘Eastern polygon’ and transport infrastructure for its export. Admittedly, the share of coal in the fuel-energy balances of that macro-region is still high and the coal price dynamics on external markets is favorable. But one has to take into account new circumstances and long-term shocks.

One of those is a steady trend towards the reduction of fossil fuels and organic sources of energy. The international energy agency in May 2020 submitted “...a plan to achieve the global carbon neutrality by 2050. To reach this goal and keep the average annual temperature growth in the same period below 1.5 degrees C, the IEA proposed cutting all investments into new projects for the extraction of fossil fuel”<sup>11</sup>. Despite the possibly excessive alarmist nature of this document, one cannot disregard the fact that in many ways it mirrors the serious intentions of the global community.

What is the outlook for the socio-economic development of Kuzbass in this context? The key task remains the same – to ensure a connection and interaction of the process of developing the coal industry and resolving the socio-economic problems of Kuzbass. One cannot accept as normal the situation when the principal financial results of the regional coal industry are stored by their beneficiaries in offshore enclaves far beyond this region and the country itself. In the period of transition towards the new power economy, those funds must be channeled for the purposes of structural and real transformation of the extraction region’s economy. Apart from Kuzbass, this also goes for all coal-extracting regions including Novosibirsk oblast, Krasnoyarsk krai, republics of Khakassia, Tyva, etc.

Overcoming external and domestic shocks of the coal industry development as well as resolving the problems of ‘coal’ territories may not be possible without cooperation and interaction of all the regions of the East of Russia. Such solutions as a Kemerovo regional center of retraining of former workers in the coal sector and in

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<sup>1</sup> Vinogradov I. IEA calls for the elimination of investments into new fossil fuel extraction projects. It is necessary to bring net emissions of CO2 down to zero by 2050 //Ведомости. 2021. 20 мая. URL: [https://www.vedomosti.ru/opinion/articles/2021/05/20/870470-mea-obnudit?utm\\_campaign=newspaper\\_20\\_5\\_2021&utm\\_medium=email&utm\\_source=vedomosti%3Futm\\_campaign%3Dnewspaper\\_20\\_5\\_2021&utm\\_source=vedomosti](https://www.vedomosti.ru/opinion/articles/2021/05/20/870470-mea-obnudit?utm_campaign=newspaper_20_5_2021&utm_medium=email&utm_source=vedomosti%3Futm_campaign%3Dnewspaper_20_5_2021&utm_source=vedomosti)

Net Zero by 2050 A Roadmap for the Global Energy Sector. International Energy Agency. Special Report. IEA. 2021. 224 p.

Net Zero by 2050 – A Roadmap for the Global Energy Sector (windows.net).

stagnating metallurgical and chemical plants including inhabitants of dying cities of Prokopievsk and Kiselyovsk for the purpose of their employments at the 'Eastern polygon' may not be considered acceptable. The antisocial nature of this idea and its destructive effect on the settlements in Central Siberia are quite obvious.

We believe that the efficiency of designed and implemented solutions in the modern economy should be appraised through the quantity and dynamics of high-tech workplaces. Only such an approach may act as a safe foundation for overcoming still not obvious yet quite probable development trends of the power industry and the economy in general.

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