

U.S. and Russian Coal Working Group – CWG History

The Russian Federation-American Coal Working Group (Coal Working Group) was formed under the decision of the tenth meeting of the Russian Federation-U.S. Commission on Economic and Technological Cooperation which was held in Washington, D.C. on March 9, 1998. The purpose set forth in the March 9, 1998 mandate forming the Coal Working Group is to help the Russians find solutions to the serious economic problems confronting the Russian coal industry and to establish mutually profitable financial cooperation in the coal industry. The Coal Working Group is jointly coordinated by the U.S. Department of Energy (DOE) and the Russian Federation's Ministry of Fuel and Energy (MFE). DOE's central role on the Coal Working Group is to facilitate and coordinate U.S. efforts with other U.S. government agencies and international organizations to solve economic problems confronting the Russian coal industry. U.S. agencies that also have members on the Coal Working Group are: U.S. Export Import Bank (EXIM), U.S. Environmental Protection Agency (EPA), U.S. Agency for International Development (AID), U.S. Trade and Development Agency (TDA), U.S. Overseas Private Investment Cooperation (OPIC), Department of Labor's and Mine Safety and Health Administration (MSHA).

During 1998, there were several changes of personnel at the MFE who originally dealt with Russian coal matters. In addition, a Russian Committee of Coal was formed in MFE at the Deputy Director's level to implement the restructuring reforms in the Russian coal industry, when the quasi independent Russian Coal organization, RosUgol became ineffective in dealing with such restructuring problems.

First Meeting of the Russian Federation-American Coal Working Group (CWG)

The first meeting of the Coal Working Group was held in Moscow on November 13, 1998. A "Memorandum of Results" was signed between the U.S. Department of Energy and the Russian Federation Ministry of Fuel and Energy. This "Memorandum of Results" explains how the Coal Working Group is trying to get U.S. financial organizations, such as the U.S. Trade and Development Agency and the U.S. Export-Import Bank, to develop financing mechanisms for the Russian coal industry.

Signing of the Joint Statement

On October 2, 1999, U.S. Secretary of Energy, Bill Richardson, and Russian Minister of Fuel and Energy, Viktor Kalyuzhny, signed a "Joint Statement of the Department of Energy of the United States of America and the Ministry of Fuel and Energy of the Russian Federation on Expanding the Coal Working Group Mandate of March 9, 1998" (Joint Statement). The purpose of this Joint Statement signing is "to help strengthen Russia's critical coal energy supply and

delivery systems, while sharing clean coal technologies.” “Russia has identified coal as a primary component of its national energy strategy.” According to Secretary Bill Richardson, “The Department of Energy (DOE) will continue to play a central role in facilitating and coordinating U.S. efforts to assist in the restructuring of the Russian coal industry.” Secretary Richardson stated “in addition to helping find solutions to serious economic problems facing the Russian coal industry, we are focusing on improving the health, safety and environmental operation of Russian mines.” Secretary Richardson further stated: “that the Coal Working Group will now be able to coordinate technical exchanges on clean coal and power systems’ technologies which can help protect the environment.” Moreover, the Joint Statement provides the authority for the Coal Working Group (CWG) to develop a concrete plan for helping the Russian coal industry in attracting international financial support (such as provided for in the World Bank’s Coal Sector Restructuring Implementation Assistance Project or Coal IAP).

Second Meeting of the Russian Federation-American Coal Working Group (CWG)

The second meeting of the Russian Federation-American Coal Working Group was held on May 30-31, 2000 in Washington, D.C. and resulted in the following observations and agreements:

1. Establishment of a Steering Committee of the Coal Working Group.

The parties initially agreed that a Steering Committee of the Coal Working Group would be initiated and would include a limited number of specialists from both countries, in order to expedite the consideration and accomplishment of topics and actionable items. The exact number of participants on the Steering Committee is to be determined upon the number of different issues with which the Steering Committee will be involved.

2. Cooperation in development and use of environmentally clean coal technologies.

To ensure a future strong market for coal, both sides agreed that appropriate technologies must be developed and implemented that can produce power and heat from coal in an efficient, economical and environmentally acceptable manner.

Specific actions in support of this cooperation include the following:

- * The Coal Working Group Steering Committee will pursue financial sources (from such organizations as the World Bank, Environmental Protection Agency, United Nations and other organizations) to support the creation and operation of a coal coordination center in Russia. The U.S. side will investigate whether a U.S. government agency, such as the Environmental Protection Agency, would be interested in supporting such a project. The Russian side will similarly investigate the possibility of support from various Russian ministries. The Steering Committee will identify areas of past and future cooperation that can be pursued by the coal coordination center and the names of Russian individuals

and organizations where there has been cooperation in the past on coal related matters. An example of cooperation has been the bidding on U.S. R&D solicitations. The U.S. will work with the World Bank technical and financial assistance program officials to determine the feasibility of funding of a coal coordination center in Russia and the areas of past and future cooperation.

3. Cooperation in identifying and pursuing financial support for coal related projects.

Both sides agreed that a primary concern of the Russian coal industry is identifying and attracting external funding and investments to allow appropriate technical and management processes to be implemented. The sides further note that the Russian side will make an effort to improve the legislative and regulatory systems in Russia to enhance the investment climate in the coal industry. New changes to the Production Sharing Agreement and Concession Laws, as well as their implementation mechanisms, drawn from international experience, will be considered and further discussed. To this end, several approaches have been identified:

- * The parties agreed to use the Elga coal mine project as a model for facilitating access to multilateral and government programs that can help pave the way for investment in Russian coal enterprises. This would include agencies and programs that provide export financing as an investment, assistance for feasibility studies, the development of technical and business plans and other measures to attract financing for promising Russian coal projects. The Russian side will provide a list of other advanced and promising companies for this purpose.
- * The Steering Committee will explore how it can facilitate the use of World Bank and other multilateral development funding mechanisms for the list of companies to be provided by the Russian members, and approved by the Coal Working Group or Steering Committee.
- * The Steering Committee will work with the Energy Affairs Committee of the U.S.-Russia Business Council to determine the extent of interest of U.S. companies to invest in the Russian coal industry.

4. Cooperation in understanding and addressing efficiency issues in coal mining.

Both sides agreed that efficient, safe and environmentally-acceptable operation of coal mining enterprises is critical to maintaining a healthy and growing coal industry, minimizing social disruption and the release of greenhouse gases. The issues include the mining process as well as mitigating emissions of coal bed methane. Areas that can be addressed include:

- * The Steering Committee will identify and make suggestions to the World Bank to shape the focus of seminars, study tours, and workshops to ensure that the most appropriate topics and participants would be supported, such as environmental protection, and mine safety and health training.
 - * The Steering Committee will explore the possibility of developing websites for exchange of information related to the topics and activities of the Coal Working Group and enhancing the public awareness of the Coal Working Group's efforts. The Department of Energy (DOE) members agreed to consider developing a U.S. Coal Working Group website to supply additional information to expand the existing Russian Coal Working Group website. The DOE Coal Working Group website has been developed and will be up and running by the end of August 2000.
 - * The Steering Committee will consult with the U.S. mining equipment organizations to determine whether any U.S. companies would be interested in pursuing joint ventures with Russian partners to manufacture mining equipment in Russia.
 - * The Steering Committee will explore funding sources to continue the program started and successfully implemented by the U.S. Mine Safety and Health Administration (MSHA) for mine safety and health training programs with the Russian Federation.
 - * The Steering Committee will explore funding sources so that the U.S. Mine Safety and Health Administration (MSHA) can continue its work with counterpart Russian organizations to rationalize and approve common standards for mining equipment between the two parties. The objective of this effort is to make equipment certification valid in both countries. DOE's Office of International Affairs officials recently notified MSHA that DOE will transfer \$30,000 to MSHA for MSHA to begin developing a joint approval and mining certification program with the Russian Federation. A list of equipment types has been circulated by the Russian side for inclusion in this effort.
 - * The U.S. Mine Safety and Health Administration extended an invitation to the Russian side to visit their certification facility in Tridelfia, West Virginia. In turn, the Russian side extended an invitation to the U.S. side to visit their certification facility center in St. Petersburg, Russia.
5. No funding source for this fiscal year have been found to assist in setting up the Graduate Student Exchange Program between the St. Petersburg's Russian Mining Institute and the Colorado School of Mining.

U.S.-Russian Federation Perspective

U.S.

The U.S. continues to support market reforms in Russia's coal industry. Achieving such reforms will bring benefits to the Russian people in the form of: restructuring of coal companies in a manner that is clear and monitorable; reducing progressively and eventually eliminating subsidies to the sector, closing inefficient mines in an Russian coal environmentally acceptable way and improving the investment climate for both Russian and western companies. The U.S. is willing to be responsive to the Russian coal industry's member's recommendations on the Coal Working Group and to also assist in finding nonfinancial assistance sources in a variety of areas, including facilitating investment, reforming regulation of mines, and other aspects of health, safety and environment that would help improve investment climate into Russia's coal industry.

The Russian Federation Ministry of Fuel and Energy (now known as the Ministry of Energy) continues to be faced with the formidable task of restructuring Russia's coal industry and addressing the difficult economic and social problems of jobs, coal mine safety, health and environmental issues and wage arrears associated with such reform efforts. We understand that the World Bank has provided the Russia Federation with loans of more than \$800 million to address these restructuring issues.

Russian Federation

The Russian Federation continues to try to restructure the highly subsidized coal sector in order to transform the Russian coal industry into a sustainable and competitive sector of the economy for several years. We understand that the Russian Federation government is planning to reorganize the Ministry of Energy's Committee of Coal Office in the near future.