

# Evaluation of support for ESG projects of environmentally responsible companies in the face of economic uncertainty

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**Abstract.** In modern conditions, measures for the development of non-primary exports in Russia are insufficient. In this regard, it is important to pay special attention to the formation of instruments for export support for capital construction projects. Systematized support tools for Russian ESG projects at the present stage. The article proposes measures aimed at the implementation of export-oriented projects of the Russian Federation in partner countries based on compliance with ESG principles. It is concluded that compliance by Russian companies with environmental requirements when entering new markets will allow building long-term partnerships in the country of presence.

## 1 Introduction

Protecting the environment and the "health" of our planet from environmental challenges, due to the irrational use of natural resources, improving the well-being of mankind and increasing economic growth - today these issues are urgently needed.

The ESG principles are a combination of environmental, social and management factors, which today is a prerequisite for the functioning of companies, and even if the activities of companies imply compliance with these principles (to one degree or another), still not all companies adhere to three components at the same time [1].

The sanctions policy of Western countries in relation to the Russian Federation is aimed at curbing the growth of exports, both raw and non-commodity, and is of a long-term nature. The Russian Federation possesses almost all types of fossil raw materials: large deposits, modern technologies and low production costs, large reserves of mined products - this is a high level of competitiveness. Also, the Russian Federation has a fairly large experience in exporting capital construction objects (CCO) for industrial and social

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purposes, and it is the non-primary component of capital construction objects that seems to be a priority for export promotion.

Therefore, the development of tools to support such export-oriented projects for their promotion to foreign countries based on the principles of ESG in the context of Western sanctions pressure on the Russian Federation is an important task.

The issue of supporting export-oriented projects is relevant in the context of foreign economic policy and for use in the implementation of international development assistance programs in terms of the construction of capital construction facilities for industrial and social purposes, while observing the principles of ESG.

## 2 Materials and methods

Such scientific methods as comparative comparison, comparative analysis, generalization were used, which made it possible to solve the set goal and objectives of the study.

## 3 Results and Discussion

The introduction of environmental aspects of the ESG concept into the business strategy of an enterprise allows companies to protect their own economic interests and avoid sanctions restrictions.

An environmentally responsible business and its expenses for solving environmental problems related to the unfavorable climate situation in the world and in the territory of its presence, in the long term, has a positive impact on the formation of a positive corporate image and an increase in profits and investments.

To date, unified international standards for assessing compliance with ESG requirements have not been formed. However, as modern practice shows, foreign experts identify the following criteria that reveal the environmental component of the ESG principles (Table 1).

**Table 1.** Characteristics of the environmental criteria that determine the content of the ESG requirements [2].

<b>Components of "E" (Ecology)</b>					
European approach to deciphering the contents of the components of ESG-assessments					
Changing of the climate	Resource depletion	Unjustified costs	Pollution	Deforestation	Depletion of water resources
<b>Criteria developed by the consulting company McKinsey</b>					
energy consumed by the company (sources, types, etc.)	company waste and its disposal	resources necessary for the functioning of the company	consequences for wildlife as a result of the company's work	carbon emissions	impact on climate change

Thus, environmental responsibility for one's activities increases the level of trust on the part of the state in which capital construction facilities are located. The implementation of environmental projects by the company in the region of its stay on a voluntary basis receives the approval of the local community, and also attracts new investors and the target audience.

Most Russian companies implementing the construction of capital construction projects based on ESG principles independently develop their own environmental programs (Table 2).

**Table 2.** Environmental component of capital construction facilities for industrial and social purposes.

Corporate giant		Kind of business	"E-component" of the company's ESG-strategy
I	State Corporation "Rosatom"	atomic Energy	1) headliner of the Russian national project - "Ecology";
			2) an integrated safe system for managing the entire chain from the generation of wastes of classes I and II to their processing into secondary products (recycling) is being developed;
			3) ecotechnoparks are being built for industrial waste recycling;
			4) urban landfills are reclaimed in the territories where the company operates;
			5) industrial zones are being reclaimed in the territories where the company operates
II	PAO "NOVATEK"	natural gas production	1) an action plan is approved annually, aimed at improving environmental efficiency;
			2) the technology of injection of associated petroleum gas (APG) into deep absorbing horizons of the geological environment is being implemented;
			3) the concept of capturing, transporting, utilizing and storing carbon dioxide in the production of liquefied natural gas (LNG) is being developed;
			4) a strategy is being developed for the production of low-carbon / "blue" hydrogen from natural gas;
			5) the company uses renewable energy sources (RES) to reduce indirect greenhouse gas emissions in the production of electricity
III	Holding "TITAN-2"	- construction of nuclear and thermal power facilities, oil and gas and chemical industries; - construction of berths, airfields, roads, residential complexes and socially significant facilities	1) an environmental management system has been developed;
			2) a waste management procedure has been developed and implemented;
			3) developed and implemented an emergency management procedure;
			4) developed and implemented a procedure for measuring environmental factors;
			5) at construction sites, there is control over compliance with environmental safety requirements
IV	NPK "Grasys"	manufacturer of air and gas separation stations and installations	1) implements the program "Protection of the environment. Eco-office";
			2) the company has developed and implemented nitrogen membrane gas treatment plants (completely environmentally friendly technology; no chemicals are used in gas treatment);
			3) measures are taken to minimize production waste
V	Chelyabinsk Pipe Rolling Plant (ChTPZ)	production of steel pipes	1) the long-term environmental program "Water" is being implemented: - exclusion of waste discharges into water bodies; - multi-level wastewater treatment system; - system for cleaning industrial and storm drains;
			2) the long-term environmental program "Atmosphere" is being implemented: - installation and reconstruction of gas cleaning equipment for the capture and purification of suspended particles; - a gas cleaning plant for a plasma cutting machine for large-diameter pipes was put into operation;
			3) "Industrial waste": - processing of wastes placed on the territory of the slag dump is carried out; - until 2024, it is planned to develop a project for the reclamation of the slag reservoir

Under the sanctions restrictions, Russian export-oriented projects need support. Companies that take into account the principles of ESG receive financing on more favorable terms.

Export-oriented projects that take into account the principles of ESG seem to investors and external partners to be more promising than those that do not. An important role is played by the development and implementation of our own domestic standards and practices - under the conditions of Western sanctions restrictions, Russian export-oriented projects receive additional competitive advantages.

The concept of responsible business conduct in developed countries began to be developed in order to address the challenges at the corporate level provoked by unregulated economic globalization. The ESG principles are designed to combine the factors of increasing the responsibility of economic activities of business entities in the areas of ecology, social security, while at the same time strictly observing the legal requirements of the state authorities of the country where the company is located, pursuing the goals of ensuring the safety of their citizens.

The introduction of ESG principles into modern requirements for the activities of companies under sanctions is a factor in creating the conditions for the need to increase the competitiveness of economic entities. Export-oriented ESG projects need additional support measures, as they are less attractive to investors who are used to investing in more profitable, but also more risky projects.

Despite a significant amount of research on environmental, social and governance factors (ESG), little has been studied about their impact on Russian exports. The development and implementation of tools to support export-oriented ESG projects for promotion to foreign markets is especially important in the context of sanctions restrictions. Of great importance is the toolkit for supporting export-oriented ESG projects and complete capital construction facilities for industrial and social purposes based on compliance with the principles of ESG, its applicability to support export-oriented projects in the context of the goals and objectives of the foreign economic policy of the Russian Federation.

The implementation of ESG principles in the context of the sanctions imposed against the Russian Federation, from the point of view of companies, allows attracting investments and increasing business profits as a whole.

In the new economic and political realities for Russia, investing in competitive export-oriented ESG projects may be a promising direction for developing cooperation with developing countries. In 2022, the ESG-Alliance of Russia for the first time announced its intention to establish a systematic dialogue with interstate associations - BRICS, ASEAN and EEAS [3]. The main goal is to improve the national ESG infrastructure related to reporting, standards and certification.

It is important to note that the expansion of investment cooperation through the construction in developing countries of complete capital construction facilities (ACS) for industrial and social purposes based on the principles of ESG will provide the following benefits:

- Promotion of Russian suppliers of construction services to foreign markets of importing countries.
- Reorientation of Russian exports towards Eastern and Asian countries.
- Integration of ESG approaches in the implementation of joint investment projects.
- Building long-term partnerships with dynamically developing countries.

Speaking about the ESG agenda in the ECS market, the following areas should be highlighted: improving the energy efficiency of buildings; rational use of resources for the development and maintenance of "green" buildings; the use of environmentally friendly materials and energy-saving technologies, compliance with the criteria requirements for

enterprises in terms of the implementation of social and managerial components of sustainable development.

Thus, the implementation of this initiative will increase the share of non-commodity Russian exports, which is important for maintaining macroeconomic stability in the face of negative external factors. Moreover, the increase in the share in the export of construction services is fully consistent with the strategies and tasks of diversifying the Russian economy.

At present, compliance with the ESG principles of the importing country is becoming not just a condition, but a necessary requirement for the implementation of industrial investment projects implemented by Russian companies in foreign countries.

Thus, it seems important to consider the leading Russian export-oriented companies that comply with the principles of ESG.

Of particular interest is the TITAN-2 holding, one of the largest and dynamically developing Russian corporations. It is worth noting that the company builds nuclear and thermal power facilities, oil and gas and chemical industries, airfields and other facilities [4]. Today, TITAN-2 occupies one of the leading positions in the Russian ESG market. At all stages of construction, the corporation monitors compliance with environmental safety requirements.

In our opinion, the corporation has significant potential to enter emerging markets in order to build capital construction projects based on ESG principles. Taking into account the growing energy needs of the economies of the countries of Southeast Asia, it is advisable to consider the possibility of building nuclear power plants in these countries by the Russian holding. There are no similar industrial power plants in the Asian region. Moreover, the specialists of TITAN-2 Corporation can provide consulting services in the field of nuclear energy. For example, Laos, Indonesia, Malaysia and Vietnam may also be interested in attracting nuclear specialists.

The state corporation Rosatom is also leading in the construction of nuclear power plants. It should be emphasized that the holding is implementing a large-scale program for the construction of nuclear power plants in such countries as Turkey, Egypt, India, Bangladesh and China. The cumulative savings in annual greenhouse gas emissions from Russian nuclear power plants is 100 million tons [4]. Thus, Russian corporations can enter new markets in the field of capital construction, develop long-term strategies for the innovative development of nuclear energy in the Asian region.

A specific feature of capital construction projects is that they are fully oriented to the requirements of the customer. Thus, the partnership is built on flexible conditions, specific procedures. At the same time, the state plays an important role. In this regard, for the conclusion of contracts for capital construction projects in the Asian market, it is important to comply with the principles of their domestic legislation in the field of ESG.

In 2022, Kristall OJSC began producing low-emission oxygen-free vacuum-fused copper, which is used in the electronics industry. Export in the form of capital construction projects by a Russian company to foreign markets involves not only the supply of machinery and equipment, but also comprehensive services for the production of construction works (engineering surveys, research, preparation of design documentation, training of customer specialists, maintenance of facilities, and others).

Thus, in order to increase the accessibility of foreign markets for Russian products with low greenhouse gas emissions, it is necessary to take into account the requirements of the importing country in the field of social and environmental responsibility, corporate governance. Moreover, the development of bilateral cooperation between both countries in the field of capital construction requires government measures to support exports, expand business access to financial resources, incl. to concessional lending, providing the most attractive conditions for debt financing of projects.

By the end of 2025, Rosatom and NOVATEK plan to launch pilot projects in the Murmansk region for the production of "green" hydrogen by water electrolysis using renewable energy sources [5].

Such hydrogen, which provides zero carbon emissions to the environment, is in demand in the Asian market. The ESG agenda in the Asia-Pacific region is of particular importance. It should be taken into account that Russia has a competitive advantage in the production of "green" hydrogen due to the presence of a large number of power plants and low production costs compared to Asian countries. By 2035, the export of products can generate income in the amount of about 21 billion US dollars [6]. This indicates that Russia has a high potential for building a plant for the production of environmentally friendly hydrogen in the Asian markets. As noted, when developing a policy for the development of national innovation potential in the field of energy projects, social and managerial factors should also be taken into account, taking into account the requirements of the emperor country. As world practice shows, state support plays a key role in the introduction and development of hydrogen technologies.

For example, Gazprom Neft, as a company with a high ESG rating, can build natural gas power plants and unloading terminals for gas carriers carrying Russian liquefied natural gas (LNG) in certain countries of Southeast Asia.

According to some experts, Vietnam is currently in need of power plants capable of delivering LNG [7]. Thus, LNG will help Vietnam to optimize the reduction of greenhouse gas emissions.

Speaking about the prospects for the development of investment cooperation in the field of capital construction, the implementation of interstate programs to improve the processes of organizing waste management is also important.

It is worth noting that Russian oil companies have created various technologies for the utilization of natural and associated petroleum gas on fuel cells, which makes it possible to refuse to burn this valuable resource and minimize greenhouse gas emissions into the atmosphere.

For example, NPK Grasys is a leading engineering company in the Russian gas separation market, performing turnkey projects. A turnkey project involves the conclusion of a general contract, the subject of which is the design, supply of equipment, construction and transfer of the finished facility to the customer for operation. Currently, the company is developing membrane plants for the utilization of associated petroleum gas (APG) in accordance with the environmental and technical requirements of the customer for the oil industry. The Grasys technology makes it possible to increase APG utilization to 100% [8]. Therefore, it seems possible to intensify investment cooperation in the energy sector through the construction of ready-made production facilities in Asian countries. Moreover, Grasys can provide consulting services for foreign companies in the oil and gas sector.

For example, in 2021, the construction of a plant for the production of "green" steel began in the Nizhny Novgorod region, which will reduce carbon dioxide emissions into the atmosphere by almost three times. Moreover, a gas cleaning technology will be launched, which will reduce suspended solids emissions to 5 mg/m<sup>3</sup>. The plan for commissioning the facility is 2025. Liquid steel production capacity is 1.8 million tons per year. The total investment in the project exceeds 150 billion rubles [9]. For example, the Russian road construction company AVTOBAN develops ESG in the following areas:

- During the construction of trails, the company creates eco-crossings for animals.
- Treatment facilities are being built on the overpasses.
- The energy efficiency of construction equipment is increasing, namely, up to 25% of the asphalt concrete pavement is reused.

The AVTOBAN group of companies plans to reduce emissions by 50%. In general, upon completion of construction works, the holding carries out a comprehensive land reclamation. In our opinion, the corporation has a fairly high potential for developing the export of construction services to Asian countries. For example, countries such as Myanmar, Laos, Cambodia, Brunei are interested in building roads, hospitals and other infrastructure facilities.

In particular, it seems appropriate to use the recommendations in accordance with the OECD Arrangement on Officially Supported Export Credits (DOEC). Key provisions of the DOEK related to export transactions include [10]:

- Low interest rates for loans.
- The minimum amount of advance payments by the importer.
- Favorable conditions for repayment of loans with a maturity of more than 2 years.
- Subsidizing the interest rate on loans.
- Minimum premium for credit risks and others.

The DOEK agreement can serve as an example for the EAEU country institutions in terms of the formation of financial support measures for the export of engineering and construction services. In turn, it is advisable to expand areas that provide favorable conditions for the implementation of investment projects.

The expansion of financing creates potential opportunities for increasing the investment activity of Russian corporations in the construction of capital construction projects on the principles of ESG in developing countries. At the same time, it is important to conduct a thorough examination of not only the environmental, but also the social impacts of export-oriented projects abroad by increasing the regulatory function of state bodies. This will help build trusting relationships with customers.

In the context of the sanctions policy of the Western countries of Russia, it is necessary to intensify Russian non-commodity "green" exports through the business circles of the EAEU and partner countries. For this, it is necessary to consider the possibility of creating a green Taxomania of the EAEU in the future.

In addition, within the framework of the integration association, it is advisable to study the issue of developing a single regulatory legal act in the field of supporting ESG projects in developing foreign countries. In other words, within the framework of the EAEU, it is important to form uniform rules for granting subsidies for ESG export projects. The introduction of unified approaches within the EAEU to environmental and social problems in accordance with the recommendations of the OECD DOEK will help increase exports of Russian manufacturing industries.

Thus, in the context of the Western sanctions policy towards Russia, it is proposed to focus on the development of investment cooperation through the construction of complete capital construction facilities for industrial purposes in dynamically developing countries based on the observance of the ESG principles of the importing countries of these facilities.

## 4 Conclusion

Based on the study, it can be concluded that:

- Companies' spending on environmental issues in the region of presence in the long term has a positive impact on future investments in the company.
- An environmentally responsible company attracts the target audience, investors.
- Environmental projects implemented by the company are approved by the regulator - the state in which the company is located.

- Thanks to responsible environmental behavior, the company develops a positive image and reputation.
- Compliance with ESG principles allows companies, including Russian ones, to enter world markets, since compliance with ESG principles is today one of the main requirements for the activities of companies.
- Non-financial environmental reporting, which is currently optional in Russia, is voluntary and indicates the maturity of the company and its conscious approach to environmental issues.

The study made it possible to determine that the implementation of the proposed measures in the field of capital construction projects based on compliance with the environmental requirements of the ESG concept will contribute to increasing the investment potential in the capital home country.

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