Green Industry

Belarus, as a European country, has no other option but to transform its industrial production based on the principles of environmental sustainability, innovation, and energy efficiency.

Most of Belarus's major state-owned enterprises operate at a loss, employ outdated approaches and equipment, maintain excessive staffing levels, and compete primarily due to cheap Russian gas. The majority of their production includes goods that the EU and other Western countries plan to fully phase out or significantly restrict by 2030: internal combustion engine vehicles, chemical fertilizers, petroleum products, non-recyclable materials, and other non-environmentally friendly products.

- In 2021, state-owned or partially state-owned enterprises accounted for 43% of employment in Belarus and 69% of the country's industrial production.

- The EU accounted for over 20% of Belarus's exports in 2019, including petroleum products, fertilizers, timber, metals, transportation, and electronics.

Reasons to Change Belarus's Industrial Policy:

1. There is no national development strategy for the industrial sector or its individual branches, including those sensitive to the introduction of the Carbon Border Adjustment Mechanism (CBAM): wood processing and pulp and paper industry, petroleum refining, chemical industry, mineral product manufacturing, metallurgy, and power generation.

Belarus is particularly vulnerable to the introduction of CBAM due to its 100% carbon price gap between domestic and EU emission trading system prices. The final fuel consumption of energy-intensive industries constitutes around 32% of the country's total, with 25% falling under CBAM sectors.

According to a UNCTAD report, with a carbon tax of $88 per ton, Belarus's export is projected to decline by 6.8% in 2026, leading to a reduction of $200 million in revenues. These losses are direct and will increase annually.

2. "Dirty" and resource- and energy-intensive technologies (wet cement production, pulp production) continue to be implemented, circular economy is underdeveloped, and there is no strategy for handling hazardous waste. Belarusian industrial products will not be in demand in the EU due to non-compliance with environmental and climate norms.

3. The European Green Deal (EGD) and the EU's new industrial policy **aim to decarbonize energy-intensive sectors**. Similar measures implemented in Belarusian enterprises will significantly enhance the competitiveness of products in the global market, promote research and innovation, and establish domestic production. The EU relies on imports in critical sectors and needs reliable partners.

Belarus has the potential to transition to more environmentally friendly production: the use of gas instead of coal, modern petroleum refining and chemical industry, potential for green energy, educated population, developed business and IT sectors.

The Belarusian initiative "Cleaner and More Energy-Efficient Production" promotes the creation of eco-industrial parks. These parks, consisting of several enterprises, utilize shared resources, incorporate waste into production, and share infrastructure: energy generation, water collection and purification, logistics, mobility, services, education, catering, and recreational areas for employees.

Benefits for Belarusians

Green industry will reduce air, water, and soil pollution, positively impacting the health of Belarusians and the environment. New jobs will be created in production, waste management, environmental management, science, and education. Circular business processes will enable enterprises to save significantly on raw materials, making Belarusian products more profitable and in demand in Western markets, thereby enhancing the well-being of workers.

How to Make Belarus's Industrial Sector Green?

A necessary condition is the liberalization of the economy and the introduction of market-based management mechanisms. Belarusian economists have prepared a plan for privatizing the public sector, which includes creating individual plans for the top 100 industrial enterprises. Incentives for the development of the green industry will be driven by carbon regulation policies, the advancement of green financing, and the adoption of ESG principles - Environmental, Social, and Corporate Governance.

- ESG reporting enhances resilience and increases the investment attractiveness of enterprises, serving as a passport to "green" stock exchanges.
- ESG principles stimulate companies to innovate, care for the environment, local communities, and employees.

Objective	Practical Implementation
1. Decarbonize energy-intensive sectors	
- Development of a low-carbon development strategy - Reduction of carbon intensity of goods and products - Support for transitioning at-risk sectors and enterprises	- Implement carbon footprint measurement and management mechanisms for goods and services - Develop an adaptation plan to the European Green Deal - Embrace green energy, biofuels, and hydrogen - Enhance energy efficiency in production - Implement carbon capture and storage technologies - Introduce energy and chemical gasification - Modernize technologies toward electrification
2. Foster a circular economy	
- Introduction of eco-design, non-toxicity, repairability, and recyclability standards - Increase resource efficiency - Raise awareness about circular economy opportunities	- Establish a secondary raw materials exchange, integrating it with the EU - Increase reuse and recycling of waste - Produce biogas and energy from organic waste - Implement circular business models: product-as-a-service, circular supply chains, resource recovery, extended product life cycles - Support the creation of eco-industrial parks - Organize training, internships, knowledge-sharing for municipal officials, business leaders, scientists
3. Implement clean technologies	
- Raise environmental standards to EU levels - Incorporate ESG assessments into practice - Create a favorable investment climate - Support research and innovation	- Develop a sector-specific green economy strategy and investment plan - Foster development in promising sectors: • Biogas, hydrogen, biofuels, methane • Electric transport and agricultural machinery • Bioplastics and eco-friendly packaging • Green energy equipment • Recycled materials • Organic fertilizers - Establish foreign production assembly units - Attract investments in clean production - Enforce a moratorium on state investments in "dirty" technologies

Sources or Reform Financing

Sources of Reform Financing Developing a green economy will lead to reduced costs for raw materials and energy carriers, minimizing the damage from air pollution and climate change (up to 6% of GDP), and promoting GDP growth through circular economy practices (up to 1.2%).

State investments can stem from privatizing the public sector and establishing a Green Investment Fund, funded through a carbon and environmental tax quota trading system (approximately $260 million per year). Foreign investments can be secured from the EIB, EBRD, World Bank, and others.

Authors: Alexandra Mamaeva in collaboration with a Belarusian expert
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