

Russia publishes law on limitation of greenhouse gas emissions

Russia · 13.07.2021

Available languages: [RU](#)

On 2 July 2021, [Federal Law No. 296-FZ "On limiting greenhouse gas emissions"](#)* (the "Law") was published.

Earlier we [reported](#) on the development of the draft version of this Law.

The Law was developed, in particular, in fulfilment of Russia's obligations under the Paris Agreement on Climate Change.

As stated in the Law, it was adopted to create conditions for a sustainable and balanced development of the Russian economy while reducing greenhouse gas emissions.

Main provisions of the Law

As in the bill, the Law provides that the government will set targets for reducing greenhouse gas emissions, distinguishing between an all-Russia target (to be established in accordance with presidential executive orders and strategic planning documents) and target indicators for individual sectors of the economy. In particular, an earlier presidential [executive order](#)* set the goal of reducing overall greenhouse gas emissions to 70% of the 1990 level by 2030.

Another key measure in the Law for limiting greenhouse gas emissions is the introduction of mandatory state accounting for greenhouse gas emissions generated by regulated organisations.

The Law defines regulated organisations as those whose activities involve greenhouse gas emissions with a mass equivalent to 150,000 tonnes of CO₂ per year or more (and 50,000 tonnes of CO₂ per year or more as of 1 January 2024). The government must develop additional criteria for classifying organisations as regulated (including lists and indicators of their activities).

The Law obliges regulated organisations to submit (starting from 2023) annual reports on greenhouse gas emissions to the competent body. These reports will be systematised in a specially created register. Administrative liability will be established for failing to submit reports on greenhouse gas emissions or for submitting unreliable information in these reports.

At the same time, the government must approve the procedure for submitting these reports and forms (and the procedure for the competent body to verify the reports).

The Law also encourages legal entities and individuals to voluntarily participate in climate projects aimed at reducing or preventing greenhouse gas emissions, or increasing their absorption. As a result of the implementation of these projects, the implementers will be credited with carbon units expressed in the mass of greenhouse gas equivalent to one tonne of CO₂. Information on climate projects, the parties implementing them, accrued carbon units and operations with units will be entered into the register of carbon units to be created.

Implementers will be able to credit accrued carbon units to comply with the requirements to limit greenhouse gas emissions or reduce carbon footprints, or transfer units to other parties. In the latter case, one can talk about the possibility of creating a voluntary carbon-trading market.

An important condition for putting carbon units on the market is the verification of the results of the implementation of relevant climate projects. The government must establish the verification procedure.

To test the carbon unit trade mechanism provided by the Law, the government approved a [road map](#)* at the end of 2020 for the implementation of an experiment in the Sakhalin Region. The government also prepared a [draft](#)* federal law on this experiment (which has not yet been submitted to the State Duma).

As part of this experiment, in particular, the formation of a regional system to trade carbon units is planned, which will be credited for the implementation of regional climate projects. In addition, to achieve carbon neutrality, the prepared draft federal law provides for the establishment of quotas for greenhouse gas emissions in the Sakhalin Region and payment for exceeding these quotas, with the possibility of using or offsetting carbon units to meet the

established quotas.

The main results of the experiment are expected to be known by mid-2022.

Comments

The above provisions of the Law can generally be seen as positive since they are in line with the global agenda for the prevention of dangerous climate change.

In combination with the planned development of a national system of “green certificates” (to be issued for electricity generated from renewable energy sources with low or zero CO2 emissions), the new carbon unit market could become an essential tool to reduce the carbon footprint of domestic products.

At the same time, the Law contains many reference rules and involves the development and adoption of a set of regulations in 2021 and 2022. In addition, the introduction of carbon units on the market will require amendments to the Russian Tax Code to establish the specifics of their taxation and tax incentives for climate projects.

Another condition for the successful implementation of the provisions of the Law could be to integrate mechanisms for the verification and international trade of carbon units (primarily on the European market).

If you have any questions on this eAlert, do not hesitate to contact CMS Russia experts [Dominique Tissot](#), [Dmitry Bogdanov](#) or your regular contact at CMS Russia.

* *In Russian*

KEY CONTACTS



Dominique Tissot

Partner | Head of Energy Efficiency & Renewables, Moscow



Dmitry Bogdanov

Senior Associate | Real Estate, Moscow

