

## Review of Law on emissions

### 1. Grounds for the adoption of the new law

The Federal Law No. 296-FZ dated July 02, 2021 "On limitation of greenhouse gas emissions" ("**Law on Emissions**") was a consequent result of the ecological trend in the Russian legislation development which is now aimed at searching of effective ways to create a legal basis for eco-friendly economy.

Furthermore, the European Commission intends to introduce a carbon tax on imports into the European Union of goods from countries that are not carbon neutral (as part of its "Green Deal" policy). Results of the restrictions imposed by the Law on Emissions will allow Russia to be considered as a carbon neutral country and maintain its competitive position at the European market.

Additionally, adoption of the Law on emissions goes along with the participation of Russia in the Paris Agreement under the United Nations Framework Convention on Climate Change.

### 2. General overview

The Law on emissions specifies the regulatory framework for control over greenhouse gas emissions and provides for the following kinds of measures:

- state accounting of greenhouse gas emissions. The Law on emissions imposes reporting obligations upon legal entities to gather statistical data for environmental control;
- setting targets for their reduction;
- support of activities to reduce emissions and increase of the absorption of greenhouse gases.

### 3. Which legal entities are vested with reporting obligations?

Reporting obligations are imposed over the legal entities which meet both of the following criteria:

- **Quantitative criterion**

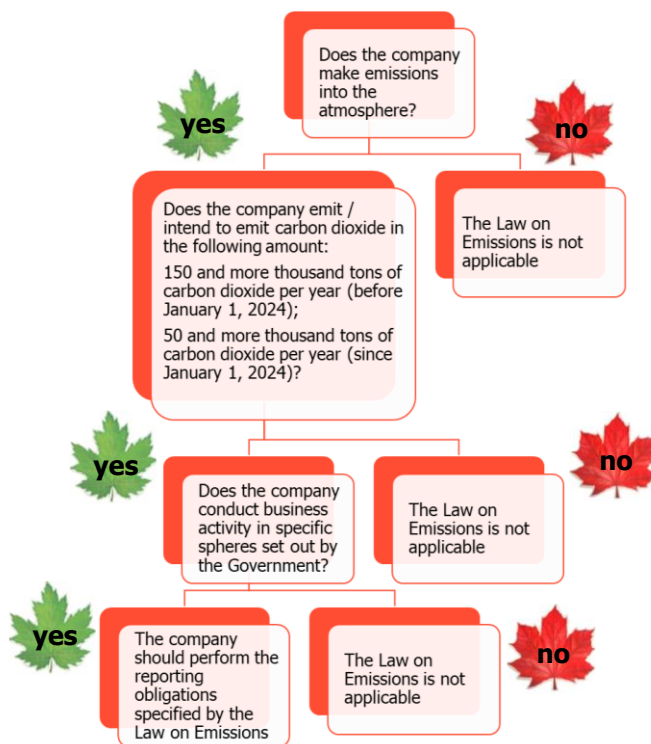
Before January 1, 2024 – reporting obligations are applied to legal entities emitting 150 and more thousand tons of carbon dioxide per year;

Since January 1, 2024 – reporting obligations are applied to legal entities emitting 50 and more thousand tons of carbon dioxide per year.

- **Additional qualifying criteria**

Lists of types of economic and other activities and indicators of such activities will be specified later by the authorized bodies.

Please find below the scheme illustrating the way how to apply the abovementioned criteria:



### 4. Reporting obligations

The amount of greenhouse gas emissions should be reported annually by legal entities bearing reporting obligations. The report is submitted to the Federal Service for Supervision of Environmental Management, which enters data into the register of greenhouse gas emissions. **July 1** of the year following the reporting year is the deadline for submission of the report. The report shall indicate the mass of emissions and the information on the basis of which the calculation is made. Failure to submit reports, as well as providing false information entail administrative liability.

Companies which do not bear reporting obligations will be able to submit reports on greenhouse gas emissions on a voluntary basis.

**N.B.** Presently, the Law on emissions does not establish an obligation to reduce the amount of emissions.

**N.B.** Since the Law on emissions enters into force on December 30, 2021, the legal entities should already file reports for 2021 next year.

## 5. Register of greenhouse gas emissions

State accounting of greenhouse gas emissions shall be kept in a register of greenhouse gas emissions ("**Register**").

The Register shall be maintained by the authorized federal executive body which will be specified later according to the procedure for creating and maintaining a register of greenhouse gas emissions established by the Government of the Russian Federation afterwards.

Furthermore, results of the state accounting of greenhouse gas emissions will be taken into account when preparing the greenhouse gas cadaster.

## 6. Carbon units and climate projects

The Law on emissions introduces the concept of a **carbon unit**.

Carbon units are generated during the imple

mentation of climate projects - measures to reduce or prevent greenhouse gas emissions or increase the absorption of greenhouse gases. Carbon units are credited to the account of the performer of the climate project in the register of carbon units after verification, the procedure for which has yet to be established by the Government of the Russian Federation.

Operations on the account in the register of carbon units are carried out by an operator in accordance with the order of the owner of this account.

One carbon unit equals to 1 ton of carbon dioxide, and the performer of the climate project can use it to reduce its carbon footprint or sell it to other companies to reduce their carbon footprint and comply with their greenhouse gas emission quotas.

The introduction of carbon units should encourage organizations to adopt and implement climate projects in Russia instead of paying carbon fees to countries that buy Russian products. At the moment, Russia is negotiating with the participants of the Paris Agreement under the United Nations Framework Convention on Climate Change the recognition of carbon units on the international market.

Please find below the scheme illustrating the stages of climate project consideration:



The **Project Company** files an application to recognize the project as a climate one with the **Commission**

The Commission is yet to be created by VEB.RF



The **Commission** checks the application



In case of approval, the **Project Company** files an application with an **Operator** of a register of carbon units for climate project registration

The register is yet to be established by the Russian Government



The **Operator** registers the application in the register of carbon units

The Operator is not yet created



The **Project Company** conducts the project and submits a report on project performance with a **Supervisory Body**

The procedure will be set up by the authorized executive body



The **Supervisory Body** verifies the results submitted in the report

The procedure will be set up by the Government



In case the results are verified successfully, a carbon unit is issued and credited to the account of the **Project Company** in the register of carbon units

The procedure will be set up by the Government

Climate projects have the following goals:

- To keep record of measures taken by legal entities to reduce greenhouse emissions;
- To assess the achievement of ecological rates;
- To incentivize legal entities for conducting climate projects.

The information on greenhouse gas emissions contained in the Register shall be publicly available and free of charge.

The Law on emissions specifies only common procedures in terms of greenhouse gas emission control. The more specific procedures will be specified by the authorized state bodies later.

Please find below the table illustrating which issues are to be yet specified.

## 7. Framework nature of the Law on emissions

ISSUE TO BE SPECIFIED	AUTHORIZED BODY
Adoption of the procedure for creating and maintaining a register of greenhouse gas emissions	The Government of the Russian Federation
Adoption of the procedure for submitting reports on greenhouse gas emissions by legal entities to the authorized federal executive authority, approval of the forms of such reports and the procedure for checking such reports by the authorized federal executive authority	The Government of the Russian Federation
Determination of the target indicator for reducing greenhouse gas emissions for the economy of the Russian Federation and for its separate branches	The Government of the Russian Federation
Determination of criteria of legal entities which are vested with reporting obligations	The Government of the Russian Federation
Adoption of the procedure on verification of the report on the implementation of the climate project	The Government of the Russian Federation
Adoption of the procedure of creation and maintenance of a register of carbon units	The Government of the Russian Federation
Adoption of methods of quantitative determination of greenhouse gas emissions and greenhouse gas removals including calculation and instrumental methods for determining the volume of greenhouse gas emissions and greenhouse gas removals	Federal executive authorities determined by the Government of the Russian Federation
Adoption of the procedure for preparing a greenhouse gas cadaster and its structure	Federal executive authorities determined by the Government of the Russian Federation
Adoption of criteria for attributing projects implemented by legal entities, individual entrepreneurs or individuals to climate projects and the procedure for such attribution	Federal executive authority

ISSUE TO BE SPECIFIED	AUTHORIZED BODY
Form of the report on the implementation of the climate project for verification	Federal executive authority
Approval of documents of the national standardization system in the field of limitation of greenhouse gas emissions	Federal executive authority in the field of standardization

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As we are often advising on the legal matters of environmental compliance and industrial safety for the manufacturers, we would be happy to help you to understand this regulation better and integrate it into your internal compliance system.

If you have any questions, please, do not hesitate to contact ALRUD experts:



**Maxim Alekseyev**  
Senior Partner  
E: malekseyev@alrud.com



**Andrey Zharskiy**  
Partner  
E: andrey.zharskiy@alrud.com



**Timur Akhundov**  
Senior Associate  
E: takhundov@alrud.com

Kind regards,  
ALRUD Law Firm