# Industry of future: Russia approves expanding electric transport

Russia · 30.11.2021

Available languages: RU

The Russian government has approved the Concept for the Development of Production and Use of Electric Vehicles in Russia until 2030*.

Formally approved in August 2021, the Concept sets the key directions for state policy in the field of electric vehicle (EV) production and target figures for industrial development in Russia until 2030.

Implementation of the Concept is expected to lead to an increase in the share of EVs in the Russian car market and enhance investments in the industry.

Currently, it may also help to enrol Russia in the intensively growing global market of EVs and overcome the existing lag of local EV manufacturers.

A detailed road map for the implementation of the Concept and target indicators of EV production and charging infrastructure development have been annexed to the Concept.

The Concept can be considered a follow up to recent developments in Russia's state policy in hydrogen production (see our previous report) and limitation of greenhouse gas emissions (see our previous reports here and here).

**Key directions**

The government defined the following key directions for state policy in developing the production and use of EVs:

- improving legislation and lifting existing regulatory barriers;
- developing a charging infrastructure;
- stimulating demand on local EVs;
- local manufacturing of electric batteries, their components, hydrogen fuel cells and ancillary systems;
- manufacturing and localising EVs, including those powered by hydrogen fuel cells;
- creating a test base for designing vehicles with low-carbon footprints; and
- creating a hydrogen infrastructure.

The Concept describes the main activities for each of these directions as well as their respective targets. The road map annexed to the Concept further defines deadlines and the state bodies in charge.

**Concept implementation: key stages and scenarios**

According to the Concept, the EV industry will be created in two stages.

During the first stage (by 2024), an industrial framework will be prepared for EV mass production and enlarging the charging infrastructure. At least 25,000 EVs are expected to be produced and more than 9,000 charging stations will be put into operation by 2024.

During the second stage (by 2030), the government will substantially increase the share of the EV sector in the Russian economy (up to 10% of the total volume of vehicle production). The charging infrastructure is going to increase by up to 72,000 charging stations, including 28,000 fast-charging stations and up to 1,000 hydrogen stations.

Depending on the rate of EV expansion, the government defines three scenarios for Concept implementation by 2030:

| | **Inertial scenario** | **Balanced scenario** | **Accelerated growth scenario** |
|---|---|---|---|
| **General description** | Lack of incentives for development of EV production and infrastructure | Support for infrastructure development and market demand for the first three years of the relevant project implementation | Proactive support of infrastructure, incentives for market demand and restriction for use of internal-combustion engine vehicles |

| | | | |
|---|---|---|---|
| Number of EVs produced per year | 100,000 | 220,000 | 250,000 |
| Total number of EVs produced | 540,000 | 1.4m | 3.23m |
| Share of EVs in the Russian car market | 5% | 15% | 30% |

According to the Concept, the balanced scenario will be followed.

Importantly, Russia has all necessary internal resources and capacities to create modern and competitive EV production such as raw materials and power generation facilities.

**Incentives for EV producers and users**

The Concept provides for the following main incentives for EV producers and users:

- granting subsidies for co-financing the costs on creation of a charging infrastructure;
- granting subsidies to banks for co-financing credits issued to consumers for purchasing EVs;
- adding EVs to the preferential leasing programme;
- applying a reduced rate for the vehicle recycling fee (payable by manufacturers) for EVs;
- amending legislation on special investment contracts (SPICs) to enable signing SPICs for launching the manufacturing of EVs and their components. By being a party to a SPIC, an investor can benefit from a stability clause for the period when investments are made as well as from certain tax and other incentives (depending on the terms and conditions of a particular SPIC);
- co-financing the construction costs of respective production plants under the signed SPICs; and
- developing additional incentives for EV demand promotion, including preferences for the use of EV such as transport tax exemptions, free parking, free rides on toll roads, etc. Apart from these specific incentives stipulated by the Concept, potential investors may also apply general tax and other preferences available under the Russian legislation.

For example, companies that reside in certain territories (special economic zones or territories of advanced development) or are party to investment contracts (regional ones or agreements on protection and promotion of investments) may benefit from a number of tax incentives including reduced rates of corporate income tax and social contributions. Additionally, starting from 2021, Russia introduced a preferential taxation regime for IT companies.

**Comments**

The EV industry has substantial potential for development in Russia and a new government policy has created great opportunities for both EV manufacturers and companies of ancillary industries such as IT, and the production of batteries and other spare parts and equipment.

Factors such as abolishing regulatory barriers, creating stimulus for consumer demand and additional incentives for EV producers will accelerate the expansion of the programme for electrification of the automobile industry.

The implementation of the Concept will require the adoption of various regulations and legislative changes. We recommend closely monitoring these developments since several are scheduled for the end of 2021.

For further information, please email the authors or your usual contact at CMS Russia.

** In Russian*

## KEY CONTACTS

Dominique Tissot

Partner | Head of Energy Efficiency & Renewables, Moscow

Dmitry Bogdanov

Senior Associate | Real Estate, Moscow

---

Anna Osmakova

Associate | Tax, Moscow

---