

Legal environment: Key Russian legal issues of energy efficiency projects. Russian technical standards

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AEB Roundtable “Practical solutions to energy efficiency in the built environment”
Moscow, 28 June 2011

Real estate sector: EE legal framework (1/6)

Scope of application

– Exception by nature

- Religious buildings, structures, facilities
- Buildings, structures, objects of cultural heritage (monuments of history and culture)
- Temporary structures, whose service is less than two years
- Objects of individual housing (standing separately and designed for one family with no more than three floors), summer cottages, garden houses
- Free-standing buildings, structures with a total area of less than fifty square meters

– Exception in time

- Buildings put into operation before 27 November 2009
- If prior approval of the State commission is required, the PDD have been sent to, or approved by the commission before 27 November 2009
- If no approval of the State commission is required, the application for construction permit was submitted before 27 November 2009

Real estate sector: EE legal framework (2/6)

EE requirements - decision of the government #18

- EE requirements to be fixed by the Ministry of regional development on the basis of rules already adopted by the Government
- EE requirements will be revised at least every 5 years
- Scope of application of the EE requirements will be depending on
 - Category of building/construction subject to EE requirements
 - Categories of persons responsible for compliance with EE requirements
 - Terms during which responsible persons should ensure compliance with EE requirements
 - Dates of EE requirements entry into force with respect to the concrete building/ construction
- Requirements to buildings which have been subject to capital repairs will be established differentially depending on the types of repairs

Real estate sector: EE legal framework (3/6)

EE reduction target indicators - decision of the government #18

- The aim of the EE requirements is to reduce indicators characterising annual specific quantity of energy resources consumption

Date/period	Indicators
<u>Baseline</u>	100%
2011-2015	85%
2016-2020	70%
As from 1 January 2020	60%

Real estate sector: EE legal framework (4/6)

EE requirements - decision of the government #18 (cont.)

– Obligatory technical requirements

- Requirements to the architectural, functional, technological, constructive, engineering and technical solutions influencing the EE of buildings/constructions
- Requirements to separate elements and constructions of buildings/constructions and their operational features
- Requirements to equipment and technologies (including engineering features) used in buildings/constructions
- Requirements to technologies and materials applied in the course of construction, reconstruction, major repairs permitting to exclude irrational use of energy resources

– Additional technical requirements

- Requirements to the use of renewable sources of energy
- Requirements to the limitation of primary energy use with respect to indicators characterising annual specific quantity of energy resources consumption

Real estate sector: EE legal framework (5/6)

EE classes

- Scope of application (decision of the government #18)
 - Built and reconstructed apartment buildings
 - Apartment buildings which have been subject to capital repairs and which are put into operation
 - Apartment buildings subject to state construction supervision
 - Other buildings – voluntarily, based on the decision of the developer/owner
- Class to be defined depending on the deviation of the actual specific consumption of heat energy for heating, ventilation and hot water supply of the building from the standardized indicators
- 7 classes are currently established (order of the MRD #161)
 - A, B++, B+, B, C for new and reconstructed buildings
 - D and E for the existing buildings

Real estate sector: EE legal framework (6/6)

Technical solutions required by the law

- Requirements to goods used for the constructive elements of buildings/constructions influencing their EE (order #229 of MRD)
 - Energy counters with accuracy level of at least 0.5 ensuring separate record of energy consumed in different periods of time (day/night)
 - Door closers
 - For heating radiators – facilities permitting to control the heat emission (manual regulating taps, thermostatic switches)
 - For water taps used in public spaces – facilities permitting automatic termination of water supply
 - Limitations to public procurements for goods if they may cause unproductive consumption of energy resources
 - Double-glass panes
 - Illuminating equipment

Key Russian legal issues of energy efficiency projects (1/2)

Structuring and financing

- Peculiarities and risks are generally predetermined by the scheme of activities: B2B vs. with state participation
- Structuring
 - Involvement of ESCOs
 - Simple B2B schemes vs. project agreement and concession agreements schemes
- General problems and concerns to be taken into account
 - Uncertainty as to development of tariff regulations
 - Control over cash flow
- Guaranteeing mechanisms
- Relations with federal / regional / municipal authorities
 - Tenders: procurement legislation
 - Budgetary restrictions

Key Russian legal issues of energy efficiency projects (2/2)

Other aspects to be taken into account

- Existing incentivizing system (tax and economic incentives) is insufficient and inappropriate
- Conflicting interests emerge between
 - Energy provider
 - Relevant state or municipal unitary enterprise (GUP / MUP)
 - Owner of the corresponding asset subject to energy service works
 - Municipality / region
 - Investor (ESCO)

Thank you for your attention!



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