

New bill limits greenhouse gas emissions in another step in the decarbonisation of the Russian economy

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In February 2021, the Russian government submitted a [bill](#)* “On Limiting Greenhouse Gas Emissions” (the “Bill”) to the State Duma.

The Bill was notably developed in fulfilment of Russia’s obligations under the Paris Agreement on climate change mitigation.

The Bill mainly aims to create conditions for the sustainable and balanced development of the Russian economy with a low level of greenhouse gas emissions.

The Bill’s main provisions

The Bill provides that the government, in accordance with presidential executive orders and strategic planning documents, will set an all-Russian target for reducing greenhouse gas emissions.

In particular, as specified earlier in a presidential [executive order](#)*, the goal has been to ensure that by 2030 greenhouse gas emissions are reduced by up to 70% compared to the 1990 levels.

As another key measure to limit greenhouse gas emissions, the Bill defines the introduction of mandatory state reporting for greenhouse gas emissions resulting from the activities of regulated organisations.

Under the Bill, regulated organisations are those whose activities are accompanied by greenhouse gas emissions with a weight equivalent to 150,000 tons or more of carbon dioxide (CO₂) per year (and after 2024, 50,000 tons or more of CO₂ per year). The Russian government will develop additional criteria for classifying organisations as regulated (including lists and indicators of their activities).

Regulated organisations will have to submit annual reports on greenhouse gas emissions to an authorised body. These reports will be systematised in a register specially created for this.

Administrative liability will be established for failure to submit reports on greenhouse gas emissions or for providing false information in these reports.

The Bill also encourages the voluntary participation of legal entities and individuals in climate projects aimed at reducing or preventing greenhouse gas emissions or increasing their absorption.

An example of such a project is the modernisation of enterprises, through which the energy or resource efficiency of production processes increases, and in turn leads to a reduction in greenhouse gas emissions. It is envisaged that, as a result of the implementation of these projects, “carbon units” will accrue to those implementing them. These units will be expressed in mass terms of greenhouse gases as equivalent to one ton of CO₂. Information about climate projects, those who implement them and accrued carbon units will be entered into a register of carbon units which will be created.

The responsible party will be able to credit accrued carbon to comply with the requirements for limiting greenhouse gas emissions and reducing its carbon footprint or it can transfer these units to other entities or individuals. In the case of transfers, it will be possible to create a voluntary carbon unit trading market.

At the end of 2020 and to test the mechanism for the circulation of carbon units provided for by the Bill, the government approved a [roadmap](#)* for the implementation of a corresponding experiment on the territory of the Sakhalin Region. The main results of the experiment should become known by mid-2022.

Comments

The above provisions of the Bill can generally be assessed positively as they are consistent with the global agenda on the issue of mitigating climate change.

At the same time, the Bill contains many grandfather provisions and involves the development and adoption of various regulations. In addition, the introduction of tradable carbon units will require amendments to the Russian Tax Code to establish the specifics for their taxation.

Another requirement for implementing the provisions of the Bill could become the need to integrate the mechanism for the trade of carbon units into international trade systems (first of all, the European one).

In the future, it is even possible that a “carbon tax” will be introduced in Russia (as in the EU), although the Bill does not currently provide for such a tax.

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*

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