

RUSSIA ESG UPDATE

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Legal Briefings

Although the production of fossil fuels has played a significant role in the Russian energy sector, Russia does not stand aside from global trends in the area of energy transition, development of renewable energy sources and GHG emissions reductions. As a result, environmental-social-governance (ESG) triad is becoming an increasingly topical issue in Russia. The pace of development in this sector is phenomenal. In recent months only, a considerable number of events have occurred that form the basis of ESG in Russia.

For you to be always up to date with the current trends, the Moscow Office of Herbert Smith Freehills launches regular publications of ESG Updates. This update is a summary of the most essential regulatory/policy changes and market developments in the field of ESG in Russia.

Below is a brief overview of our first update, you may access the full version by following the [link](#).

HYDROGEN ENERGY

EASTERN ECONOMIC FORUM

On 2 - 4 September 2021, the **6th Eastern Economic Forum (EEF)** was held in Russia. More than 380 agreements valued over RUB 3.6 trillion were signed on the sidelines of the forumⁱ. A number of hydrogen-related agreements were reached. For instance, **PJSC Novatek and the Ministry of Economy, Trade and Industry of Japan** executed a memorandum of cooperation in the area of ammonia, hydrogen as well as CCS and CCUⁱⁱ, while **Volvo Group Russia** executed a cooperation agreement with respect to creating a hydrogen park in the Sakhalin region.

ATLAS OF HYDROGEN PROJECTS

On **15 October 2021**, the Ministry of Industry and Trade of the Russian Federation introduced the [atlas](#) (available in English) of Russian low-carbon and carbon-free hydrogen and ammonia production projects. The atlas provides brief details of more than 30 projects.

EMISSIONS REDUCTIONS

LOW CARBON SOCIAL AND ECONOMIC DEVELOPMENT STRATEGY FOR THE PERIOD UNTIL 2050

On **29 October 2021**, the Russian Government adopted the [Low Carbon Social and Economic Development Strategy of the Russian Federation until 2050](#).

The strategy covers two scenarios: (i) **“operations as usual”** and (ii) **intensive** being the preferable one. The implementation of the latter will enable Russia to achieve carbon neutrality by 2060.

The Ministry of Economic Development of the Russian Federation intends to draw up an action plan of strategy implementation within six monthsⁱⁱⁱ

KEY COP 26 OUTCOMES FOR RUSSIA

The 26th UN Climate Change Conference (COP 26) took place between **01 and 14 November** in Glasgow. The key outcomes for Russia, among other things, are as follows:

- the Glasgow Climate Pact was agreed;
- the Paris Rulebook was finally completed;
- Russia joined over 100 countries in a deal to join efforts in order to halt and reverse deforestation by 2030.^{iv}

GREEN FINANCING

TAXONOMY OF GREEN PROJECTS

On **21 September 2021** [Regulation of the Government was adopted “On approval of the criteria for the sustainable \(including green\) development in the Russian Federation and requirements to the system for verification of the sustainable \(including green\) development in the Russian Federation”](#) was adopted.

Most importantly, the Regulation introduces the national taxonomy for the sustainable development projects, encompassing both the “green” and the “adaptation” (i.e. essentially, the transitional) projects as well as guidance for qualification of financial instruments as sustainable. Benefits to encourage green financing are yet under discussion.

UPDATED RULES FOR ISSUING 'GREEN' SECURITIES

On 1 October 2021, the Central Bank introduced [changes](#) to the emission standards which enabled issuers to classify their bonds as “green” ones, if they are intended for the financing of projects being “green” not only pursuant to international principles but also to the Russian taxonomy.

ENVIRONMENTAL PROTECTION

DRAFT LAW ON THE ELIMINATION OF ENVIRONMENTAL HARM

The State Duma adopted the [draft law](#) on elimination of accumulated harm to the environment in the first reading. The bill was triggered by the situation in Usolye-Sibirskoye of the Irkutsk region, where Usolyekhimprom, an isolated and gradually disintegrating chemical enterprise, is located. In total, hundreds of millions of public funds were allocated to remedy the situation^v and the main idea of the draft law is to shift such financial burden from the state to the owners of respective facilities.

RENEWABLES

SAKHALIN WIND PARK

During the **6th EEF**, the agreement for the development of a Uglegorsk wind farm, which is expected to be the most powerful one in the Russian Far East, was signed.^{vi}

i. <https://tass.ru/ekonomika/12315895>

ii. <https://neftegaz.ru/news/Alternative-energy/695351-nizkouglerodnoe-sotru...>

iii. https://www.economy.gov.ru/material/news/pravitelstvo_utverdilo_strategi...

iv. For more details on the COP 26 outcomes please see our [website](#).

v. <https://www.kommersant.ru/doc/4593465>

KEY CONTACTS

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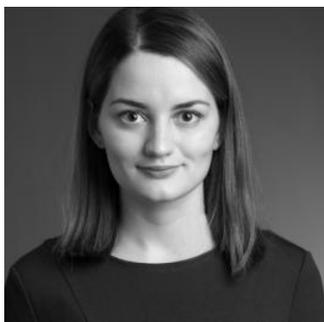
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