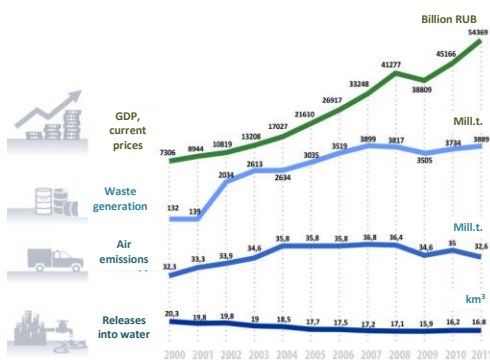


New Policy Instruments to Promote Better Air Quality and beyond through Application of BATs in the Russian Federation

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MAJOR NATIONAL ENVIRONMENTAL REGULATION ISSUES



- National Environmental norms and standards are generally strict
- Pollution limits establishment system at the enterprise level is "flexible" and allows to set "relaxed" not-limiting values
- Environment pollution fees are low and thus do not stimulate entities to introduce "greener" technologies
- No economic incentives for turning "green"
- State Environment Control authorities do not have objective information on pollution scales (no continuous monitoring)
- Results and considerations of the State environmental expertise used as non-binding recommendations, not directly preventing potentially environmentally damaging activities
- Administrative barriers adversely affect the investment climate

Striving for sustainable development -> breaking the economic growth/environmental degradation trend

Lack of a strong environmental regulatory system leads to increased environmental damage and adverse public health effects caused by economic development

POLITICAL MEASURES ARE URGENTLY NEEDED TO IMPROVE THE SITUATION IN THE RUSSIAN FEDERATION

LEGAL STEPS TOWARDS CHANGING THE CURRENT SITUATION

Federal law no.219-FZ "On amendments to the Federal law "On environmental protection" and other legal acts of the Russian" aimed at enhanced environmental protection regulation and introducing incentives for economic entities to apply best available techniques

ADOPTED
21/07/2014

- Group economic entities by their environmental impact and apply different regulation approaches
- Introduce an electronic register of all economic entities (enterprises)
- Re-launch of the State Environmental Expertise and EIA
- Introduce BAT-based environment regulations for major enterprises
- Introduction of Integrated Environmental Permits
- Modernization of the environmental payment system and introduction of economic incentives to reduce pollution
- Improvement of industrial environmental monitoring, including application of CEMs
- Gradual shifting of the new environmental system till 2021 and beyond

GROUPING OF ENTERPRISES (4 CATEGORIES)



STATE REGISTRATION OF ENTERPRISES

State
Register

Enterprise database, including information on emissions, discharges and waste generation

Information provided and updates by legal entities (enterprises)

Categorization of enterprises with differentiated regulation measures

*Environmental
impact-related
Information is
publicly available*

1. Establishing of the enterprise information system
2. State registration of entities (enterprises)
3. Grouping of entities with focus on those falling under BAT regulations
4. Selection of up to 300 entities to participate in pilot application of BAT and integrated environment permits

BAT-BASED ENVIRONMENTAL REGULATIONS

Major polluting sectors

Energy	Pulp and paper	Chemical	Petro-chemical	Metallurgy	Waste water treatment/processing	Cement, glass production	Food production, livestock husbandry
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≈ 15 000 enterprises

90% pollution

Technique

Technology, technique (including approach to design, construction, operation and end-of-life solutions)

Best

Limited adverse impact on the environment, resource-efficient

Available

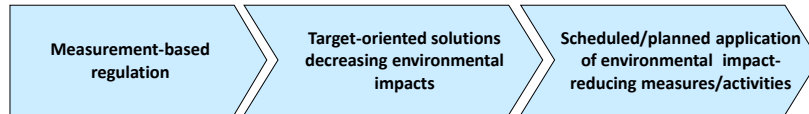
Application and exploitation is economically feasible

Available (readily applicable, sufficient production capacity)

INTEGRATED ENVIRONMENTAL PERMITS

➡ Unified permitting procedure – one permit – one permitting organisation

➡ Environmental protection to be achieved through BAT application



Issuing conditions for existing enterprises:

➡ BAT-based emission/discharge limit values and environmental practices (measures) established

➡ Developed Environmental/Resource Efficiency programmes/strategies

15.10.2014

7

MODERNIZATION OF ENTERPRISES BASED ON ENVIRONMENTAL EFFICIENCY IMPROVEMENT PROGRAMMES

Environmental Efficiency Improvement Programmes

Activities

Equipment replacement, construction/installation of modern machinery, units, pollution treatment equipment

Scheduled implementation of activities, pollution reduction projections

Amounts and sources of required funds

1. Establishment of the Inter-ministerial commission for **Environmental Efficiency Improvement Programmes** assessment and adoption

2. Pilot projects implementation

- up to 300 enterprises , major polluters;
- all new enterprises;
- enterprises participating on voluntary basis

3. Nation-wide application of experience gained through pilots

4. Control and assessment of programme implementation/progress made

• Timeframe:

14 years for major (backbone) enterprises (employing 25% of the population in a given location or at least 5 thousand employees) and strategic enterprises

7 years for other entities/enterprises

ECONOMIC INCENTIVES

Full compensation of interest paid on investment credits focused on environmental measures

Additional depreciation coefficient "2" for BAT equipment (if in compliance with adopted charter of BATs)

Costs for pollution abatement and BAT application to be deducted from environmental fees (up to 100%)



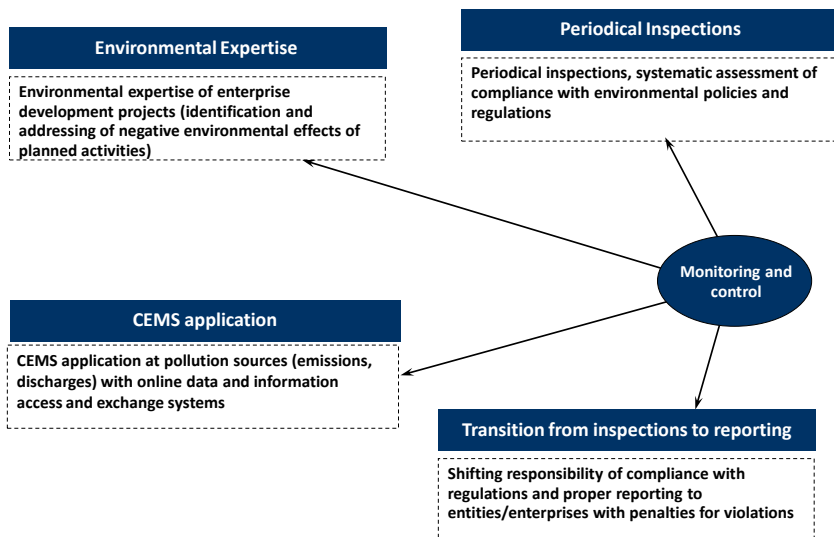
Environmental fees to be accounted for and subject to tax deduction (profit tax)

Increased environmental fee coefficient to stimulate application of BAT

"Zero" environmental fees for entities fully shifted to BAT



IMPLEMENTATION CONTROL MECHANISMS



NEW ENVIRONMENTAL POLICY IMPLEMENTATION TIMELINE



2015-2018

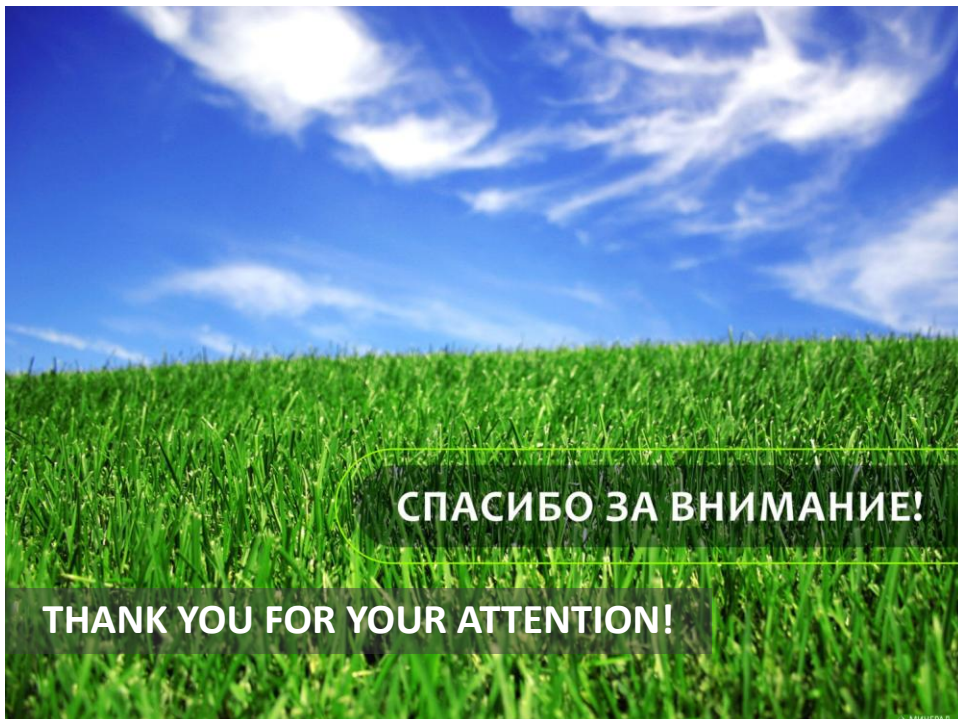
State registration of enterprises
Introduction of all incentive mechanisms
Adoption of all by-laws
Publication of Russian national BREF documents

2019 - 2022

Establishment of the Inter-ministerial commission for Environmental Efficiency Improvement Programmes assessment and adoption
Shift to BAT and integrated permits for:
- 300 major polluter entities;
- All new enterprises,
- Volunteer enterprises
Increased environmental fee coefficient to stimulate application of BAT (levels comparable with pollution abatement costs)

2022 - 2030

Transition to BAT and integrated environmental permits for all entities/enterprises



СПАСИБО ЗА ВНИМАНИЕ!

THANK YOU FOR YOUR ATTENTION!

МИНЕРВАЛ