

Development of the national legal framework in the Russian Federation: introduction of BAT-based environmental regulations and related economic incentives

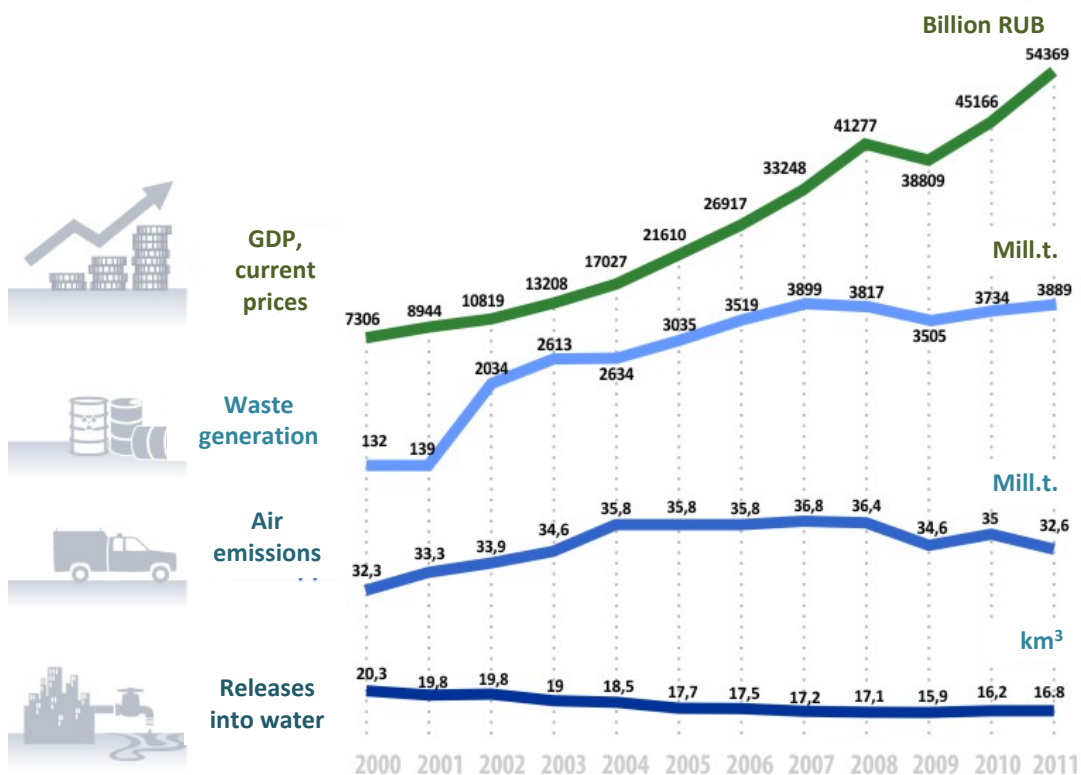
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22nd EGTEI Meeting

Nice, 18 October, 2013

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

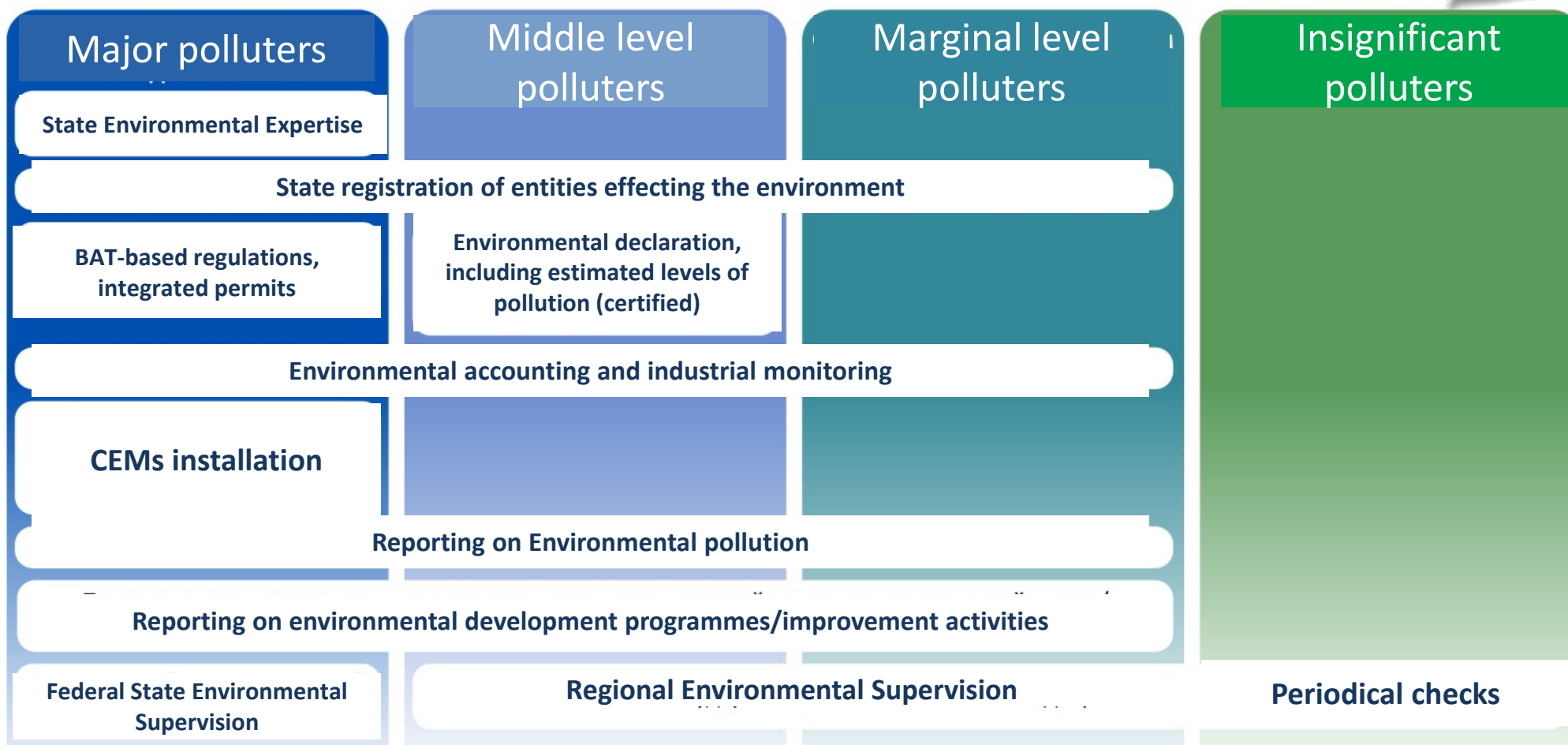


Draft federal law “On amendments of legal acts of the Russian Federation regulating environmental protection and introducing incentives for economic entities to apply best available techniques”



- 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



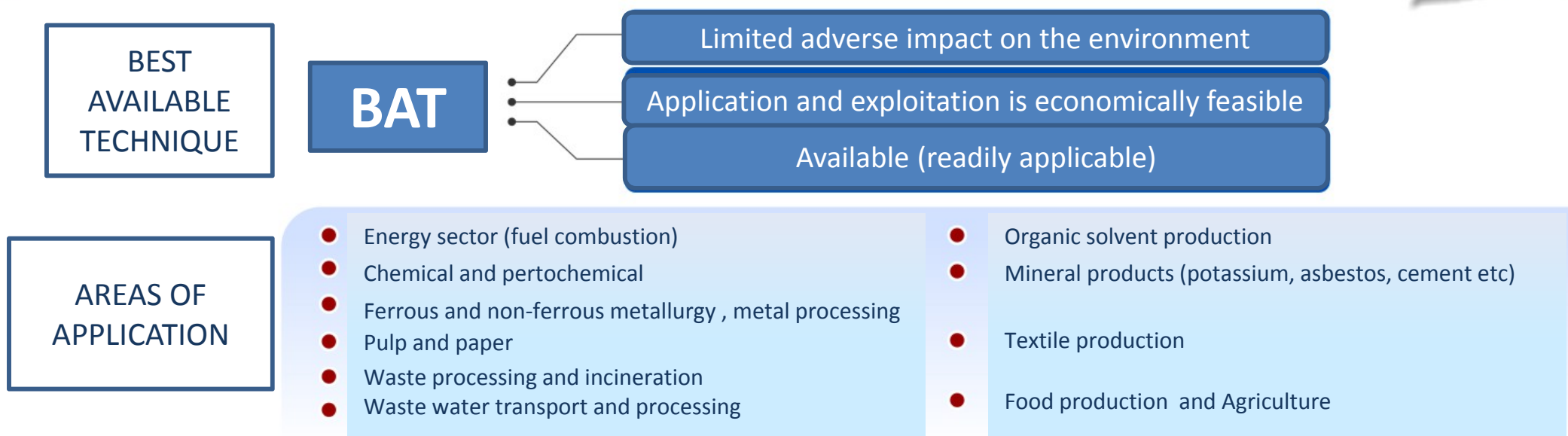
For **Major polluters**: one integrated environmental permit for 7 years, subject to extension (instead of various permits for emissions, releases, waste deposition)

For **Middle and Marginal level polluters**: pollution declaration, environmental reporting and compliance with environmental regulations (instead of various permits for emissions, releases, waste deposition)

For **Insignificant polluters**: On environmental regulation measures to be applied

- Shortened list of pollutants under regulations (tens instead of thousands)
- Application of indication pollutants used as baseline for pollution limit setting and control
- 1-year reporting period on pollution fee payments (instead of 3-months periods)

UNDERSTANDING OF BAT



NATIONAL BAT REFERENCE DOCUMENTS

INCLUDE: analysis of the sector, reasoning of BAT selection, step-wise explanation of the processes and related environmental indicators

BASED ON: EU BREFs for 27 sectors, updated each 7-8 years

ADAPTAION: Adapt the EU BREFs to Russian cases, specificity of industrial sectors and general industrial and environmental approaches

ECONOMIC INCENTIVES



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

Additional depreciation coefficient “2” for BAT equipment

Costs for pollution abatement and BAT application to be deducted from environmental fees



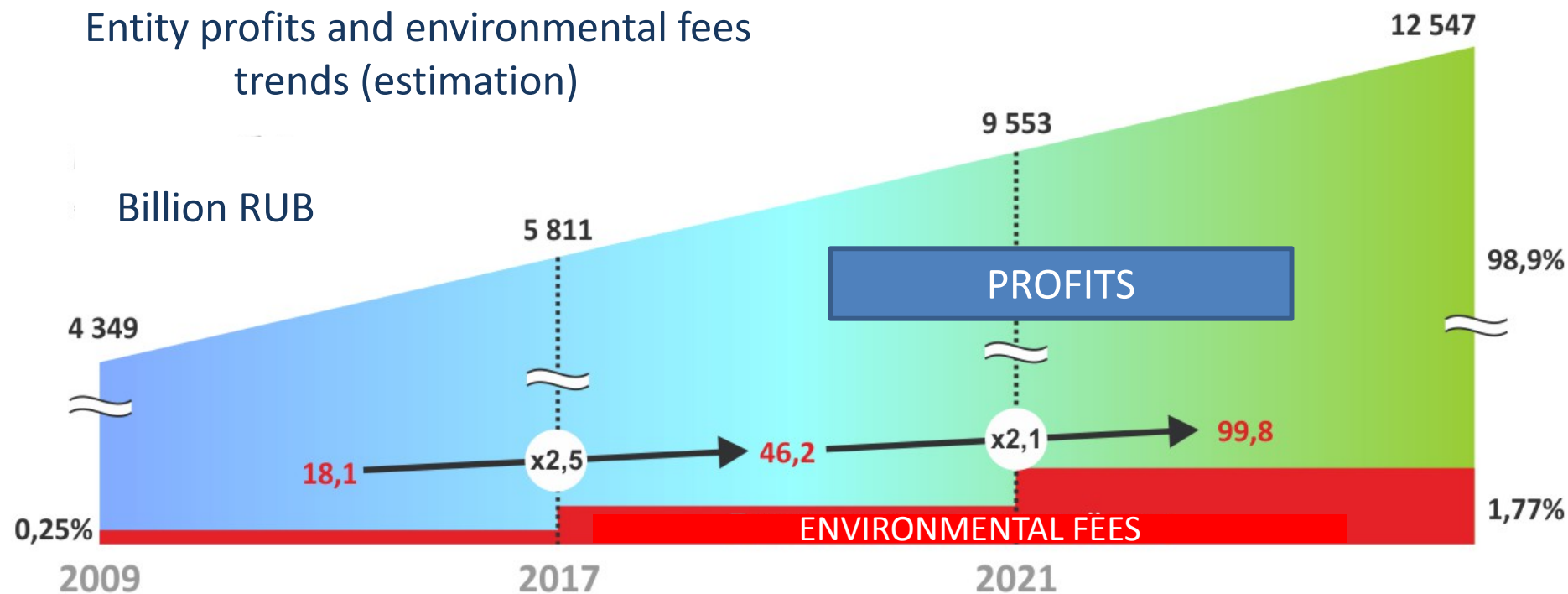
Environmental fees to be accounted for and subject to tax deduction (profit tax)

Increased environmental fee coefficient to stimulate application of BAT

“Zero” environmental fees for entities fully shifted to BAT

СОГЛАСОВАНО
Минэкономразвития России
и Минфином России
на совещании под председательством
Председателя Правительства
Российской Федерации
В.В.Путина
30.04.2011

ENVIRONMENTAL FEES: PROGRESS



- Fees to be increased to levels motivating the application of BAT
- Factor 2.5 for environmental fee will be introduced starting 2017, additional factor 2.1 will be introduced in 2021
- Environmental fee constituted 0.21% of the profits in 2009, it will be increased up to 1.77% in 2021
- Investments to modernization of the production processes (introduction of BAT) are to be fully deducted from environmental fees

SCHEDULE OF THE CHANGE



13

2014 - 2017

2014

- Accounting of all economic entities and Categorizing them

2016

- Adoption of all by-laws

2017

- Publication of Russian national BREF documents

2018 - 2021

2018

- Environmental declarations
- Shift to BAT, integrated permits for:
 1. New sources,
 2. 170 major entities;
 3. Volunteers

2019

- Increased env.fee coefficient

2022 - 2032

2022

- Shift to BAT, integrated environmental permits for all potential polluters
- Ban on putting in place of new industrial units/entities not being in line with BATs
- Increased environmental fee coefficient

2032

- BAN on all industrial activities that are not in line with BAT

EXPECTED OUTCOMES



1

Establishment of solid indicators and economic incentives for modernization and technology development

2

Adoption of economically feasible programmes focused on improvement of industrial environmental effectiveness

3

Introduction of transparent procedures for environmental regulation of major industrial entities based on integrated environmental permits

4

Removal of administrative barriers, reduced complexity and timeframes for environmental permit processing

5

Reduction of environmental pollution due to introduction of BAT, better environmental practices and increased production efficiency

6

Modernization of the national economy and increased interest of investors



СПАСИБО ЗА ВНИМАНИЕ!

THANK YOU FOR YOUR ATTENTION!