

Special Update on the Implementation of the Kyoto Protocol in Russia

23 July 2009



Sberbank to participate in Russia's Kyoto Protocol mechanisms

Sberbank, Russia's largest state-owned bank, is set to play a pivotal role in the implementation of the Kyoto protocol in Russia. The bank, together with the Ministry for Economic Development (the MED), has been charged with the drafting of a resolution on the emissions trading and the joint implementation mechanisms in Russia by the end of July 2009.

Last month the Russian government issued a decree (Decree No. 884-r, dated 27 June 2009 (the Decree)) aimed at making the greenhouse gas emission trading scheme, envisaged by Article 17 of the Kyoto Protocol, operational in Russia. The Decree authorizes JSC "Joint Stock Commercial Savings Bank of the Russian Federation" (Sberbank) to participate in the implementation of the pilot projects that involve greenhouse gas emission trading.

The Decree also instructs the MED and Sberbank to present to the Russian government draft amendments to Government Resolution No. 332 dated 28 May 2007, that sets forth the procedure for reviewing and approving the joint implementation projects in Russia, to authorise Sberbank to participate in the assigning, transferring and acquiring of emission reduction units resulting from investment projects. According to the MED officials, it is expected that Sberbank and the MED will submit the draft resolution addressing implementation of both emission trading and joint implementation mechanisms in Russia by the end 31 July 2009.

The Decree further instructs the MED, jointly with the Ministry of Foreign Affairs of the Russian Federation and Sberbank, to negotiate international treaties (memoranda of understanding) with foreign state authorities with respect to participation in emission trading for submission to the Russian government.

Having signed the Kyoto protocol to the United Nations Framework Convention on Climate Change (the Kyoto Protocol) in 1999, Russia was the last country to ratify the agreement in early 2005, and it has been relatively slow so far in implementing the measures necessary to establish the carbon trading program. However, the new Decree seems to indicate Russia's renewed interest in implementing the Kyoto Protocol. The Decree and the anticipated amendments to Resolution No. 332 are important steps on the way to making emission trading mechanism operational in Russia and facilitating the procedure for approving joint implementation projects.

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