

# Morgan Lewis

# SPARK

## Q1 | 2021

### From our team to yours

**Morgan Lewis Spark** is a quarterly update highlighting new and amended Russian legislation of importance to companies operating in the Russian energy and mining sectors. We hope it provides you with a useful tool to navigate these developments.

The first quarter of 2021 was relatively slow in respect of Russian legislative developments. And yet we saw development of a number of important legislative frameworks, particularly with a focus to the emerging global energy transition, with draft legislation being developed in respect of greenhouse emission reduction and LNG production in Russia.

We will continue to watch for Russian legislative developments with a focus on the core documents and initiatives that will shape the future of the industry as we move through 2021.

If you have questions regarding any of the updates in **Morgan Lewis Spark**, please reach out to us. We'll be delighted to discuss any of this with you.

Be well.

---

## CONTENTS

Energy Transition and Sustainable Development . . . . .	3
Oil & Gas . . . . .	4
Power and Renewables . . . . .	5
Regulatory . . . . .	5
Corporate and Transactional . . . . .	5
COVID-19 Update . . . . .	6

## **MORGAN LEWIS NEWS**

We kicked off a year-long seminar series focused on the global energy transition called “Reaching Net Zero Together”. Our first webinar “[On the Road to Net Zero: Hydrogen and other Paths](#)” was held in February. The next webinar on 4 May 2021 “[Current Trends in Corporate Sustainability](#)” will focus on practical ways to meet energy sustainability commitments.

An updated version of our international sanctions briefing can be viewed here: [US and EU Russia Sanctions Update—Overview And Energy Sector Focus \(And Emerging Russian Countersanctions\) - March 2021 Update](#).

---

# **LEGISLATIVE OVERVIEW**

## **FIRST QUARTER 2021**

We have set out below brief summaries of some of the key legal developments and amendments occurring in the first quarter of 2021 that may be of interest to energy and mining companies doing business in Russia.

Feel free to contact our team in Moscow if you have any questions or would like to find out more.

## **ENERGY TRANSITION AND SUSTAINABLE DEVELOPMENT**

### **Carbon Units Trading and Support to Projects Addressing Climate Change - Draft Law**

In February 2021, a draft law was elaborated in the furtherance of the Ministry of Economic Development’s plan to support the systematic development of climate-related projects in Russia, which we discussed in our [2020 Q3 Edition of Morgan Lewis Spark](#). In April 2021, the draft law passed the first reading in the state duma.

The draft law establishes a framework for the proper recording of projects aimed at addressing climate change and taking credit of “carbon units”—i.e., units reflecting the reduction of harmful emissions achieved by a project. The draft law creates a new category of property rights - carbon units. Carbon units will be issued by project developers and be able to be traded subject to compliance with the verification and registration process regulatead by a set of standards and administered by the authorized bodies. The taxation regime addressing the specifics of taxation of carbon units is yet to be developed.

The draft law also obliges companies conducting operations that result in substantial greenhouse gas emissions to submit reports on greenhouse gas emissions to the authorized body. The criteria for such activities as well as reporting standards are yet to be developed by the government.

[Draft Law No. 1116605-7 "On Limitation of Greenhouse Gas Emissions"](#)

### **Greenhouse Emission Reduction Initiative**

In furtherance of Russia's efforts to meet the greenhouse reduction targets for Russia under the 2015 Paris Agreement (about which we reported in the [2020 Q4 Edition of Morgan Lewis Spark](#)), a major state oil and gas company, a private petroleum and chemical company and a private industrial group have been recently reported to be interested in developing a pilot project for measuring the carbon absorption by forests.

The Russian forest management system requires considerable investment and modernization (including the employment of state-of-the-art digital technologies for forest mapping and measuring). State and private companies are eyeing the opportunities to invest in this modernization as part of the carbon credit system. At the moment, the national legislative framework for such crediting is not in place, but this is expected to be developed soon.

## **OIL & GAS**

### **LNG Long Term Development Program**

In March 2021, the Russian government adopted a long-term program for development of liquefied natural gas (LNG) production in Russia. The programme, among other things:

- analyses the key trends in global energy consumption, as well as, current measures to support the production of LNG,
- determines the resource base for promising LNG projects,
- reviews the potential for the LNG development in Russia, including small-scale LNG production for the purposes of autonomous gasification as well as the LNG technologies development.

The annexes to the program contain the basic data on forecasts of gas market development in the world and in Russia, as well as overviews of the actual and potential projects for the LNG production in Russia.

Annex 3 to the programme contains an action plan, which, at this stage, largely consists of analysis the measures required for the implementation of a long-term program for the development of LNG production in Russia, including analysis in respect of the following:

- economic incentives for the LNG supply from the Russian Arctic to new sales markets (including along the Northern Sea Route in the eastern direction);
- the development and implementation of state support measures in the field of production of equipment for the production, storage, regasification and consumption of LNG;

- potential state support measures for Russian engineering companies, including those aimed at developing competencies, and the priority involvement of such companies in the implementation of LNG projects;
- potential amendments to the Federal Law “On Gas Export” in respect of granting of a license for the LNG export prior to the start of an LNG project to eligible companies determined by the Federal Law “On Gas Export”, as well as, the exclusion of bunkering from the scope of the gas export requirements;
- the development and implementation of mechanisms for subsidizing Russian companies engaged in the production of domestic and localized equipment for autonomous gasification, creation and modernization of thermal and electric power generation facilities based on LNG;
- improvement of the state regulation aimed at the development of LNG regasification infrastructure and stimulation of the use of transport that operates on LNG.

The Program envisages an annual monitoring of developments in respect of the envisaged initiatives, with the first annual report to be delivered to the government in February 2022.

[Resolution of the government of the Russian Federation No. 640-r “On Long-Term Program for Development of LNG Production in Russia”](#)

## **POWER AND RENEWABLES**

### **Supporting the Use of Renewables by the Population**

In March 2021, the Russian government introduced certain amendments into the acts regulating electric power supply and distribution aimed at allowing the population who use their own renewable sources of power (such as solar or wind generation) to benefit from such use, in particular when they actually generate more power than they consume.

[Government Decree No. 299 dated 2 March 2021](#)

## **REGULATORY**

### **Administrative Fines for Subsoil Use License Violation – Amendment to the Code**

In March 2021 art. 7.3 of the Code of Administrative Offences was amended to cover violations of various technical documentation by a subsoil license holder as an administrative offence that may result in a fine of 500,000 rubles (the amount of the fine was not changed). Previously, this provision only applied to a violation of the subsoil license itself or the technical design document (in Russian, tekhnichesky proekt). This amendment appears to be connected with the evolving subsoil licensing practice of moving the license requirements from the subsoil license itself into various technical documents, which may be different at different stages of the subsoil development.

# CORPORATE AND TRANSACTIONAL

## Remote Access Notary Procedures

We thought it might be helpful to highlight the recent amendments to the Notarial Legislation Fundamentals (the “Amendments”) that allowed remote access to certain notary procedures, as well as remote notarization of certain transactions. The Amendments were adopted in December 2019, but only came into effect on 29 December 2020, as some of the needed regulations were adopted only in the course of 2020.

The key new provisions introduced by the Amendments include the following:

- if a transaction requires notarization by law or as agreed by parties, each party may engage its own notary, and these notaries will interact remotely through the notarial unified information system to certify the transaction by their qualified electronic signatures (note however that each party still has to meet with its own notary in person for this procedure). If the transaction requires a state register filing (such as a share transfer in a limited liability company), the parties must agree which of the participating notaries will act as an applicant with state registers;
- a number of notary procedures can be accessed remotely, such as confirmation of the authenticity of a foreign-language translation (but the certification of a translator’s signature still requires in-person meeting with the notary), hand-over or safekeeping of electronic documents, acceptance of cash in deposit among others;
- the use of QR-codes on notarized documents now allow real-time confirmation of which notary notarized them and when.

These are certainly very timely amendments which will help businesses to continue to work through some of the hurdles of notarization while various pandemic-related restrictions on people’s movement and ability to meet remain. Outside of the pandemic context, moving notarial procedures on-line provides businesses with greater flexibility.

See [Notarial Legislation Fundamentals \(including the Amendments\)](#).

## COVID-19 UPDATE

Our [COVID-19 Legal Issue Compendium](#) brings together in one place an overview of our key publications covering the legal and regulatory landscape, including matters related to business operations and industry-specific issues faced by many companies around the world amid the pandemic.

With the increased availability and access to the COVID-19 vaccination, we explore in our [client alert “COVID-19: Is vaccination mandatory to work in Russia?”](#) whether an employer in Russia can require employees to vaccinate, employee rights with respect to remote work following vaccination, and related matters.

In addition, you may find useful resources on our [Navigating THE NEXT](#) webpage, helping to navigate the steady stream of workplace policy shifts, guide corporations and investors to the latest aid available for rebuilding, decipher the intersection of global laws for multinational companies, and interpret the meaning of the latest developments.

# Morgan Lewis

## ABOUT US

Morgan Lewis is recognized for exceptional client service, legal innovation, and commitment to its communities. Our global depth reaches across North America, Asia, Europe, and the Middle East with the collaboration of more than 2,200 lawyers and specialists who provide elite legal services across industry sectors for multinational corporations to startups around the world. For more information about us, please visit [www.morganlewis.com](http://www.morganlewis.com).

## PRIMARY CONTACTS



**Jonathan H. Hines**

jon.hines@morganlewis.com  
+7.495.212.2552



**Jennifer A. Josefson**

jennifer.josefson@morganlewis.com  
+7.495.212.2535  
+44.20.3201.5429



**Alexander Marchenko**

alexander.marchenko@morganlewis.com  
+7.495.212.2534



**Alexandra Rotar**

alexandra.rotar@morganlewis.com  
+7.495.212.2515

**[www.morganlewis.com](http://www.morganlewis.com)**

© 2021 Morgan, Lewis & Bockius LLP

© 2021 Morgan Lewis Stamford LLC

© 2021 Morgan, Lewis & Bockius UK LLP

Morgan, Lewis & Bockius UK LLP is a limited liability partnership registered in England and Wales under number OC378797 and is a law firm authorised and regulated by the Solicitors Regulation Authority. The SRA authorisation number is 615176.

This Legislative Update is provided for your convenience and does not constitute legal advice or create an attorney-client relationship. Prior results do not guarantee similar outcomes. Attorney Advertising. Links provided from outside sources are subject to expiration or change.

210573\_042721