**Extract from the Environmental Code of the Republic of Kazakhstan**

Chapter 9-1. GOVERNMENT REGULATION IN THE REGION OF EMISSIONS AND ADSORBINGS OF GREENHOUSE GASES

Footnote. The Code is supplemented by Chapter 9-1 in accordance with the Law of the Republic of Kazakhstan dated 03.12.2011 No 505-IV (the order of enforcement see Article 2).

Article 94-1. The basic provisions of the state regulation of emissions and adsorbings of greenhouse gases

State regulation of emissions and adsorbings of greenhouse gases shall include:

1) a distribution of quotas for greenhouse gas emissions for nature users;

2) an establishment of market mechanisms to reduce emissions and adsorbings of greenhouse gases;

3) a managing of nature users.

Article 94-2. The quotas for greenhouse gas emissions

1. The activity without obtaining quotas for greenhouse gas emissions for nature users, operating in the oil and gas, energy, mining, chemical industries, agriculture and transport, which emissions of greenhouse gases are higher than the equivalent of twenty thousand tons of carbon dioxide a year, shall be prohibited.

2. The quotas for greenhouse gas emissions shall be issued in accordance with the National Allocation Plan for greenhouse gases in the order, established by the Government of the Republic of Kazakhstan.

3. A nature user shall receive a quota on the amount of greenhouse gas emissions for each installation, operating during the reporting period.

4. The quota for greenhouse gas emissions shall be determined on the basis of the passport data and settings, stored in the certificate on greenhouse gas emissions, issued by the authorized body in the scope of environment protection.

5. The nature users shall not exceed the quota, determined by the certificate on greenhouse gas emissions in the same period, except the cases, provided for in paragraph 7 of this Article.

6. The nature users must submit report on the actual volume of emissions and removals of greenhouse gases over the reporting period, as well as information about the acquisition and disposition of quotas units, received and transmitted as a result of projects of carbon units to the authorized body in the scope of environment protection by 1April of the year, following the reporting period.

7. The nature user has a right to compensate his obligations to reduce greenhouse gas emissions by quotas units, acquired from another nature user, who has a reserve of fixed quota volume for greenhouse gas emissions, and (or) carbon credits, obtained as a result of project implementation in the case of exceeding the volume of quotas for greenhouse gas emissions.

8. If the nature user has a reserve of quotas for greenhouse gas emissions, compared with the fixed quota volume for greenhouse gas emissions and the commitments to reduce greenhouse gas emissions, he can sell his quota units to other nature users.

A quotas reserve in comparison with the fixed volume, resulting from reduced production, is not the subject of trade.

9. The nature users must submit to the authorized body in the scope of environment protection the following documents, confirmed by an independent accredited organization to obtain quotas on greenhouse gas emissions and trade carbon units:

1) greenhouse gas inventory report for the reporting year;

2) passport;

3) program to reduce greenhouse gas emissions;

4) plan of action to implement projects to reduce greenhouse gas emissions.

Footnote. Article 94-2, as amended by the Law of the Republic of Kazakhstan No. 505 dated 03.12.2011-IV (the order of enforcement see Article 2).

Article 94-3. Certificate of greenhouse gas emissions

1. Certificate on greenhouse gases emissions is the document, established the amount of authorized greenhouse gas emission, issued to the nature user in order to meet his obligations to reduce the greenhouse gas emissions and to trade carbon units.

2. The authorized body in the scope of the environment protection shall issue a certificate, granting the right to greenhouse gas emissions from the installment (s), or parts of it, within one month from the date of receipt of the documents, specified in paragraph 9 of Article 94-2 of this Code.

The certificate on greenhouse gas emissions may be issued for one or more installations on the same industrial site, operated by one operator.

3. The certificate shall contain the following information:

1) the name and address of the operator of the installation;

2 ) a description of the activities and the volume of quotas for greenhouse gas emissions;

3) monitoring requirements, specifying standard of monitoring, applied to the installment;

4) reporting requirements, and delivery dates for the certificate and report on the actual volume of greenhouse gas emissions of the installation in the reporting year, confirmed by an independent accredited organization.

4. On issuing of the certificate for greenhouse gas emissions shall be recorded a note in the state register of carbon units.

Article 94-4. Quotas change on greenhouse gas emission and reissuance of the certificate on the greenhouse gas emissions

1. The nature user shall apply to the authorized body in the scope of environment protection for the revision of the amount of greenhouse gas emission quotas in cases of changes, planned in the nature or functioning, or the introduction of new sources of greenhouse gases during the reporting period.

2. The authorized body in the scope of environment protection, within one month from the date of the applicant's request on the basis of supporting documents shall reissue a certificate, indicating the name and address of the new operator in cases of operator’s changes (alienation, reorganization, change of legal form, name of legal entity). The obligations, established in the certificate must be transferred to the new operator.

3. The quota for greenhouse gas emissions of the liquidated legal entity shall be transferred to the reserve of the national quota allocation plan for greenhouse gas emissions.

4. The order of quotas change for greenhouse gas emissions and reissuing certificate on greenhouse gas emissions shall be determined by the Government of the Republic of Kazakhstan.

Article 94-5. National allocation plan for greenhouse gas emissions quotes

1. A national allocation plan for greenhouse gas emissions quotes shall be developed by the notified body in the scope of environment protection and approved by the Government of the Republic of Kazakhstan for the corresponding period.

2. At the national allocation plan for greenhouse gas emissions shall be established the total quotas volume for greenhouse gas emissions by economic sectors and quotas volumes for nature users.

3. The national allocation plan for greenhouse gas emissions shall be developed in accordance with the rules of distribution of greenhouse gas emission quotas, approved by the Government of the Republic of Kazakhstan, and shall be based on data from installation passports of nature users.

4. The national allocation plan for greenhouse gas emissions quotes has a reserve on quota volume, necessary for allocation of greenhouse gas emission quotas in the case of introduction of new installations in priority sectors, identified by the Government of the Republic of Kazakhstan.

The reserve volume of quotas shall be passed under the control of the authorized body in the scope of environment protection for sale on the terms of the option.

Article 94-6. Administrative subjects of nature users

1. The administrative subjects of nature users (further - the administrative subjects ) are legal entities, performing activities, related to emissions of greenhouse gases, the amount of which does not exceed the equivalent of 20,000 tons of carbon dioxide per year, in the following sectors: oil and gas, energy, mining and metallurgical, chemical, agriculture, transport and housing and communal services.

2. The rules of this Code in the procedures, carried out by allocating quotas on greenhouse gas emissions, shall be not extended on the administrative subjects, except the cases, provided in paragraph 4 of this Article.

3. The authorized body in the scope of environment protection shall carry out the control of greenhouse gas emissions by administrative subjects.

4. A procedure of participation of administrative subjects in realization of project-based mechanisms in the scope of emission and adsorbing regulation of greenhouse gases shall be established by the Government of the Republic of Kazakhstan.

Article 94-7. The market mechanism of reducing emissions and adsorbing of greenhouse gases

1. The market mechanism of reducing emissions and adsorbing of greenhouse gases shall include:

1) quota trading of greenhouse gases emissions;

2) trading of adsorbing units of greenhouse gas, certified emission reductions, emission reduction, domestic emission reductions;

3) international trade of assigned amount units between countries with restrictions and/or reduce emissions of greenhouse gases and their legal entities.

2. The legal entities are the subjects of greenhouse gas emissions market, participating in the project-based mechanisms in the regulation of emission and adsorbing of greenhouse gases, as well as the Exchange trade in accordance with the legislation of the Republic of Kazakhstan.

3. Carbon unit is a subject of sale.

4. The sale of adsorbing units of greenhouse gases emission, certified emission reductions, emission reductions, quotas, domestic emission reductions in the secondary circulation shall be made on the organized commodity markets (stock exchanges), determined in accordance with the Laws of the Republic of Kazakhstan.

Article 94-8. An independent provider of information

The main objective of an independent provider of information is to provide advisory services and assistance to the management of natural resources in greenhouse gas emissions, including the implementation of project-based mechanisms in the regulation of emissions and removals of greenhouse gases.

Article 94-9. Requirements for carbon units trade

1. Quota units, involved in the trading scheme for greenhouse gases, shall apply only to domestic trade market without the right to transfer to the accounting system set number of other countries. The quota units can be used on other international exchanges for their quotes.

Carbon units of the Republic of Kazakhstan may be alienated from the accounting system, established in the case of the adoption of international agreements on a bilateral basis, the amount of which cannot exceed the annual emissions of greenhouse gases.

2. Certified reduction units and emission reductions can be used for domestic and international trade and provide a transition from the state system of assigned amount in the accounting system of other countries.

Article 94-10.Internal projects on emission reduction of greenhouse gases

1. Internal projects on emission reduction of greenhouse gases shall be carried out by legal entities on the territory of the Republic of Kazakhstan only in relation to installations that are not owned by them or under their Lawful use, and aimed at reducing greenhouse gas emissions.

2. Internal projects on emission reduction of greenhouse gases can be implemented in the following sectors of the economy:

1) mining and metallurgy (in terms of utilization of coal mine methane projects);

2) agriculture;

3) housing and utilities;

4) the planting of forest and grassland areas;

5) prevention of land degradation;

6) renewable energy;

7) processing municipal and industrial waste;

8) transport;

9) energy-efficient construction.

3. Rules for the preparation for review and approval, registration, reporting and monitoring of internal projects on emission reduction of greenhouse gases shall be approved by the authorized body in the scope of environment protection.

Article 94-11. The monitoring procedure

1. The subjects of the allocation of quotas for greenhouse gas emissions are required to develop monitoring plans, based on the techniques, approved by the authorized body in the scope of environment protection, and shall execute these plans.

2. The development and implementation of monitoring plans are required for projects that reduce emissions and adsorbings of greenhouse gases to be implemented in the framework of project-based mechanisms in the regulation of emissions and removals of greenhouse gases.

3. Surveillance over the accuracy of monitoring, reporting on greenhouse gas inventory is an independent accredited organization in accordance with the criteria, approved by the authorized body and techniques.

Article 94-12. Environmental (Green) Investments

1. The reserve of established amount units, formation of which is determined by the Government of the Republic of Kazakhstan, shall be produced from total amount of greenhouse gases.

2. The reserve shall be transferred to the management of the organization under the jurisdiction of the authorized body in the scope of environment protection.

3. Investment projects under environmental (green) investments shall be made in the amount of funds, received from the sale or use of assigned amount units from the reserve.