

Input to the Development of the Baku to Belém Roadmap to 1.3T

The Russian Federation presents its views regarding the **Baku to Belém Roadmap to 1.3T**, the necessary principles for its composition as well as national best practices in climate finance. We believe the following aspects should be considered for its development:

- **Barrier-free access to external finance** and a well-capitalized domestic market are necessary for an accelerated transition from an extensive to an intensive economic model, which involves decoupling economic growth from greenhouse gas emissions.

- **The absence of negative effects on the achievement of the Sustainable Development Goals (SDGs)** or an additional positive effect on the achievement of one or more of the UN SDGs is necessary. It applies, for example, to Goal 6, Goal 7, Goal 8, Goal 9, Goal 11, Goal 12, Goal 13, Goal 14, Goal 15.

- **National priorities for sustainable development** and approaches to reducing anthropogenic impact on the climate must be considered, including the possibility of **financing projects utilizing a wide range of emissions reduction solutions**, such as the usage of renewable energy, nuclear power, and carbon capture, utilisation, and storage technologies. It also includes the possibility of **financing the implementation of transition projects** in areas such as the exploration, extraction, and transportation of fossil fuels, the modernization of existing oil and natural gas extraction facilities, modernization of refineries and gas processing plants, the production and transportation of LNG and etc. **Implementing transition projects** enables rapid and low-cost emissions reduction in the short term, while maintaining energy security and economic growth.

- **Restrictive language implying** the comprehensive alignment of all financial flows, both private and public, in line with climate change objectives, as well as the formulation of recommendations to cease financing activities related to fossil fuel use, is unacceptable.

- **Politically motivated, unilateral restrictive measures**, hindering the movement of goods, services, and capital related to climate change mitigation and adaptation are unacceptable.

- **Adherence to the established mandates** of multilateral development banks (MDBs) and financial organizations, and climate funds is important. It will enable climate project financing to be scaled up on a non-discriminatory basis, using transparent principles for the geographical distribution aid, with balanced allocation of climate finance for adaptation and mitigation purposes.

- Both national and multilateral development banks could play **a more significant role in facilitating and reducing the risk of financing for climate projects**, encouraging the mobilization private capital. It seems advisable to encourage the use of a broader range of instruments for financing climate projects, including guarantees and blended finance.

Russian Regulatory Experience and Climate Finance Practices

Until 2021, bond issuance and project financing in the Russian Federation were conducted according to international standards. Since 2021, **a national legislative framework for issuing sustainable finance instruments has been in operation in the Russian Federation**.

The foundations of a national sustainable development finance architecture have largely been formed:

- On 14 July 2021, Russian Government Directive No. 1912-r **“On Approval of the Goals and Main Directions of Sustainable (Including Green) Development of the Russian Federation”** was approved.
- On September 21 2021, Russian Government Decree No. 1587 “On Approval of Criteria for Sustainable (Including Green) Development Projects in the Russian Federation and Requirements for the Verification System of Sustainable (Including Green) Development Financing Instruments in the Russian Federation” was approved. The national taxonomy **aligns with international standards while promoting the achievement of national climate goals for reducing greenhouse gas emissions**.
- Russia was one of the first countries in the world to adopt criteria for **adaptation (transition) projects**. Work on expanding transition finance practices is also underway within BRICS and the G20.
- On July 4, 2022, the Bank of Russia published Directive No. 6195-U "On Amending Bank of Russia Regulation No. 706-P dated December 19, 2019 'On Securities Issuance Standards'", **that regulates the issuance of sustainability-linked bonds and climate transition bonds**.

Various instruments for sustainable development and climate finance are being actively developed in Russia. These include public financing through various national programmes, blended finance (including projects involving national development institutions such as VEB.RF), and commercial financing, including **targeted bonds and loans** (such as green, transition and sustainability-linked bonds) as well as **general corporate financing** linked to sustainable development and climate transition.

Projects financed through green or transition bonds or loans must meet the criteria of the national taxonomy, contribute **to achieving the goals of the Paris Agreement and the environmental SDGs, and not cause significant harm to the environment** (Do No Significant Harm principle). Green projects include projects in renewable energy, circular economy, industry, transport, biodiversity conservation, and sustainable water and agriculture. Transition projects, in turn, aim to reduce greenhouse gas emissions in sectors such as mining, ferrous and non-ferrous metallurgy, chemical industry and others.

As of June 1, 2025, **the nominal value of the Russian sustainable development bond market was RUB 405 billion (considering principal repayment)**. A total of 36 bond issues have been issued, including 7 new issues in 2024, one of which was a climate

transition bond issue. Of these, 55% are green bonds and additional 31% belong to the segment of sustainability-linked and transition projects.

The **introduction of incentive-based regulation** is intended to stimulate these projects. Projects in the areas of technological sovereignty and economic structural adaptation are to receive 30% of the capital relief limit set out in the regulations for loans and bonds. Depending on the quality of the sustainable development project, the risk-weight reduction can range from 10% to 50% of the baseline, the same as for economic structural adaptation projects. This will enable Russian credit institutions **to finance a greater number of priority green and transition projects by reducing the capital burden on banks without requiring additional budgetary funding**. The mechanism is expected to be adopted by the Government of the Russian Federation in 2025. Meanwhile, the Bank of Russia is developing corresponding amendments to banking regulations.

Russia is actively working on creating innovative financial instruments to attract private climate finance. There is an example of the **“Project Finance Factory”** programme. It uses a **blended finance** mechanism, well-suited for the implementation of complex projects aimed at climate change mitigation and adaptation.

Climate finance mechanisms are being actively implemented. In addition to the corporate sector, regional and local authorities have issued green bonds. In 2021, the Moscow Government issued **green bond** for the first time, which were entirely intended for renewing and electrifying public transport vehicles, contributing to reducing greenhouse gas emissions in the **city's transport sector**. In 2023, the Moscow Government issued retail green bonds, the proceeds of which were also intended for purchasing electric buses. In 2024, the Krasnoyarsk City Administration municipality issued retail green bonds worth RUB 100 million.

Development of Bank of Russia Regulation Regarding Climate Risk Analysis and Management by Financial and Non-Financial Organizations

The Bank of Russia facilitates **the adaptation of financial market participants to new types of risks**, including climate risks as well as the identification and proper management for such risks.

One important aspect of the regulator's work involves **analyzing climate risks by conducting stress tests on the Russian corporate sector** in order to identify potential risks to financial institutions and the economy as a whole. Such stress tests are based on possible climate change scenarios. The Bank of Russia uses scenarios from the Network for Greening the Financial System (NGFS) as a basis for its own, taking national specifics into account.

In 2024, the Bank of Russia published preliminary **estimates from a stress test examining the impact of climate transition risks on reduced demand for carbon-intensive products**. According to preliminary estimates, in the absence of adaptation, a significant number of companies, particularly in the mining and metallurgy sectors, could

face deteriorating financial performance in the medium term (2030-2040), which would entail systemic risks for the financial sector.

Furthermore, the Bank of Russia **monitors the environmental and climate strategies of Russian non-financial companies in order to identify the main risk sources for such organizations**. The results of the 2024 monitoring showed an improvement in the quality of climate-related disclosure by companies, as well as more active and ambitious goal-setting in this area compared to 2022.

Another area of focus is **the management and regulation of climate risks**, for which regulatory documents are issued. In December 2023, the Bank of Russia issued an information letter containing climate risk management guideline for financial institutions. The document contains principles for integrating climate risks into management processes, including identification, assessment, monitoring, response development, and disclosure. The Recommendations have two goals. On the one hand, to improve the quality of climate risk management in financial institutions. On the other hand, to limit the impact of climate risks on the financial sector and the Russian economy. The document also indicates the need for cooperation between financial institutions and their clients to avoid a situation where a client with a high level of exposure to climate risks is denied financing.

In 2024, the Bank of Russia conducted a survey among financial institutions to find out how they were implementing the recommendations on climate risk management. According to the results of the survey, while **most respondents manage climate risks**, although they have not yet moved to more active management measures. In this regard, at the next stage, the Bank of Russia plans to refine the recommendations for financial institutions on climate risk management and continue monitoring to identify progress and challenges.

The Bank of Russia is also working **to improve non-financial disclosure**. It has created a methodological basis for the accounting of ESG factors and non-financial disclosure for financial institutions and public joint-stock companies. In particular, a letter providing information on sustainability disclosure for financial institutions has been published. Financial institutions are **encouraged to disclose information on both physical and transition climate risks and assess their impact on asset value, cash flows, and business model resilience in the short, medium, and long term**. It is recommended to separately indicate measures to mitigate climate risks, including adapting strategies, revising investment plans, and using scenario analysis with science-based climate scenarios.

Recommendations for developing methodology and assigning ESG ratings have also been published. They establish a minimum set of elements to be considered for assessment, including climate-related ones. These are specifically greenhouse gas emissions climate risk management, and the presence or absence of a climate policy, strategy or other document on reducing greenhouse gas emissions and/or achieving carbon neutrality.

Cooperation in Climate and Transition Finance on the BRICS Platform

The BRICS platform is currently engaged in active work to develop cooperation in sustainable finance, including green and transition finance. In 2024, under Russia's BRICS chairmanship, **the BRICS Framework for Cooperation on Climate Change and Sustainable Development** was prepared and adopted. The document defines potential areas of cooperation among BRICS countries within the **BRICS Contact Group on Climate Change and Sustainable Development**, which includes issues of **climate change and sustainable development finance**.

Also in 2024, Russia presented an initiative to create the **BRICS Carbon Markets Partnership**. Launching the Partnership will allow BRICS countries to study each other's experiences in creating **carbon markets**, which will contribute to **cost-effective greenhouse gas emissions reduction** and attract climate finance in BRICS countries. The Partnership is expected to be launched soon.

In 2025, climate finance became a key focus for the Brazilian presidency, enabling the transition to the next stage of implementing several of the priorities set out by the Russian presidency of the BRICS. **The BRICS Leaders' Framework Declaration on Climate Finance** was signed. The document outlines the key principles and approaches of the association's member states regarding climate finance, and identifies several potential areas for collaboration within various BRICS negotiation frameworks. The leaders therefore recognised the importance of transition finance (TF) and endorsed the **BRICS Transition Finance Framework** developed last year by the BRICS Business Council.

The Framework defines climate finance, and transition finance, aimed at reducing emissions in **carbon-intensive economic sectors**, is recognized as part of it. Furthermore, the document contains wording on the inadmissibility of barriers regarding climate technologies and their financing. It also defines the main principles of transition finance, which can be used to develop a support system. Work on promoting the **BRICS Transition Finance Framework** was continued on the BRICS Business Council platform in 2025. This year, the BRICS Business Council annual report added a roadmap for developing transition finance in BRICS to the recommendations section. Approval of the roadmap and commencement of work on taxonomy harmonisation will be considered during the Indian chairmanship in 2026.

Within the **financial track**, involving representatives of the finance ministries and central banks of BRICS countries, transition finance has become a permanent area of work. In 2025, Brazil conducted **a study reviewing the experience of BRICS countries in climate risk analysis and climate stress testing, as well as plans for their further improvement**. As part of this study, the Bank of Russia completed a corresponding questionnaire, providing information on approaches to analyzing and regulating climate risks and the developed recommendations for their accounting by financial institutions, on methodologies for conducting climate stress tests in 2023 (top-down) and 2024 (bottom-up), on approaches to management of its own climate risks, as well as on the Bank of

Russia's participation in international climate work. Regulators from Brazil, China, Egypt, India, Indonesia, South Africa, and the UAE also participated in this study. At the ministerial meeting in July, it was decided that the study results would be published on the BRICS website.

It is important to maintain the partnership in order to improve infrastructure for the public-private financing of climate projects in BRICS countries. This can be achieved through the participation of BRICS national development banks in these processes. National development banks enable financing in national currencies to be attracted for climate-related projects, thereby minimising currency risks.

Carbon Unit Market as a Tool for Reducing Carbon Footprint

Trading of carbon units has become widespread worldwide as an effective way for companies and countries to achieve their climate goals.

The carbon intensity of developing economies is much higher than that of developed ones because heavy industries are concentrated there. Emissions per unit of GDP in developing countries are 2.5 times higher.

The carbon market should be considered **a tool for a just energy transition**, as it allows developing countries to reduce emissions at the lowest cost.

Register of Carbon Units of the Russian Federation

The Register of Carbon Units of the Russian Federation was launched in 2022; by 2025, it has a developed infrastructure accessible to users from Russia and abroad, a methodological base, and the necessary expert support. As of September 10, 2025, **71 climate projects have been registered, 34.3 million carbon units have been issued, and 154 thousand carbon units have been retired** as a result of transactions on the domestic and international market.

Development of the BRICS Carbon Market

Currently, the national carbon unit markets of the BRICS countries are developing independently of each other. However, establishing a unified carbon market is essential to ensure liquidity and boost confidence in carbon unit instruments within the BRICS group and, subsequently, on a global scale.

The Kazan Declaration of BRICS Leaders in 2024 included wording on the need for joint work by BRICS countries in developing carbon markets.

A Roadmap for the Development of the BRICS Carbon Market has been developed on the BRICS Business Council platform. In 2025, the Roadmap was included in the recommendations section of the Business Council report. Discussions on the prospects for synchronizing the carbon markets of BRICS countries are ongoing.

The Russian Federation advocates open and non-discriminatory dialogue and the exchange of experiences for all interested countries. We believe that this will contribute to

the most effective and fair implementation of the New Collective Quantified Goal, as set out in the Baku-Belém Roadmap, with a value of USD 1.3 trillion.