



# The Qazaq Green Certification Program Qazaq Green Certificate

## Qazaq Green Certification Program standard

### **Policy on the relationship of a voluntary standard with a regulated emissions trading system and the current legislation of the Republic of Kazakhstan in this area: risk assessment and potential solutions**

#### **Version 1.0**

The Qazaq Green Certification Program is a voluntary greenhouse gas emission reduction certification based on voluntary compliance with the Standard and applicable QGCP methodologies. Participation in this certification program allows you to issue and purchase certified emission reductions that can be used by companies and organizations to declare the carbon neutrality of their activities, their services, works and products, their carbon footprint offset policies. With this in mind, the demand for units of certified greenhouse gas emission reductions is increasing in Kazakhstan and the Qazaq Green Certification Program was created to meet this demand through offers available on the Kazakhstani market.

It should be noted that Kazakhstan is a country in which, since 2013, the national carbon quota system (system of trading in carbon units) has been operating. This system covers 199 large installations in the power industry, cement, lime, gypsum and brick production, oil and gas, mining, metallurgical, chemical industries. This instrument applies to installations with annual emissions exceeding 20,000 tons of carbon dioxide per year and controls approximately 50% of national greenhouse gas emissions. For the period 2022-2025, quotas are distributed among regulated industries and installations in accordance with the National Carbon Quota Plan, approved by order of the Minister of Ecology, Geology and Natural Resources dated July 11, 2022 No. 525.

Carbon quotas are one of the instruments of state regulation in the field of emissions and absorptions of greenhouse gases. Currently, it is regulated by the provisions of Chapter 20 of the Environmental Code of the Republic of Kazakhstan, adopted on January 2, 2021 and adopted in order to implement them, a package of by-laws.

Carbon quotas are based in the Republic of Kazakhstan on carbon budgets, which are determined in accordance with the provisions of the Environmental Code of the Republic of Kazakhstan. Currently, they are defined for the periods from 2021 to 2025 and from 2026 to 2030. For the carbon budgeting period from 2021 to 2025, the carbon budget for 2021 was at least 1.5 percent below the 1990 carbon budget. In subsequent years, it should be reduced by at least 1.5 percent annually from the level of the previous year's carbon budget. For the carbon budgeting period



from 2026 to 2030, the carbon budget for each calendar year must also be reduced by at least 1.5 percent of the previous year's carbon budget level.

The system of trading in carbon units includes, along with carbon quotas, carbon offsets. The definition of this term in accordance with Article 298 of the Environmental Code of the Republic of Kazakhstan is given below.

Carbon offset - reduction of greenhouse gas emissions and (or) increase in greenhouse gas removals, achieved as a result of activities or activities in any sectors of the economy in the Republic of Kazakhstan, aimed at reducing greenhouse gas emissions and (or) increasing greenhouse gas removals.

A carbon offset cannot be recognized as a reduction in the quota-based greenhouse gas emissions of a quota-based facility.

Carbon offsets are based on project activities carried out outside of quota facilities and based on the provisions of environmental legislation. Along with the provisions of Article 298 of the Environmental Code of the Republic of Kazakhstan, the Rules for Approving Carbon Offset and Provision of Offset Units dated November 5, 2021 No. 455 also apply to them.

The Ministry of Ecology and Natural Resources is the state regulator of carbon offsets implemented on the basis of the provisions of environmental legislation. The competence of this ministry includes making decisions on the approval of the carbon offset, monitoring plan, approval of the report on the implementation of the carbon offset. The functions of the operator of the carbon units trading system are performed by the subordinate organization of the Ministry of Ecology and Natural Resources - Zhasyl Damu JSC. This organization also performs the functions of an expert body in relation to the review of documents and decision-making on carbon offsets.

As a result of the implementation of carbon offsets, offset units are issued that can be used to pay off carbon quotas by participants in the carbon units trading system. Accounting for transactions with offset units is carried out in the State Register of Carbon Units, which is formed and maintained by the operator of the carbon units trading system in accordance with the rules approved by the authorized body in the field of environmental protection. The transfer of offset units is carried out through the purchase and sale through a direct transaction or through a commodity exchange.

Carbon offsets and the offset units they produce, in line with their Environmental Code approaches, are geared towards meeting future needs that may arise in a carbon cap-and-trade system. Such needs may arise if more stringent quotas are established for quota-based installations. Therefore, carbon offsets are terminologically and legally integrated by the provisions of the Environmental Code into the carbon quota system. At the same time, the Environmental Code does not provide for the possibility of repaying carbon quotas (full and partial) at the expense of units of certified greenhouse gas emission reductions issued on the basis of voluntary standards. In general, the implementation of project activities and the issuance of



certified greenhouse gas emission reduction units based on voluntary standards are not regulated by environmental legislation.

The standard of the Qazaq Green Certification Program and the legislative regulation of offsets by the environmental legislation of the Republic of Kazakhstan are based on largely similar approaches. This applies to reduction planning and calculation of greenhouse gas emissions, quantification, monitoring, confirmation (validation and verification) and reporting of emission reductions. At the same time, they actually regulate two autonomous systems aimed at reducing greenhouse gas emissions. The legally defined system of carbon quotas is focused on the subjects of quotas that have obligations to reduce greenhouse gas emissions. The Qazaq Green certification program is focused on meeting the needs of voluntary initiatives of organizations and companies to reduce greenhouse gas emissions with the demonstration of these actions in the public space. The ratio of quota-free and quota-free contributions to total national greenhouse gas emissions is currently around 50 to 50. This ratio is unlikely to change in the foreseeable future, as quotas apply to installations with annual greenhouse gas emissions in excess of 20,000 tons of carbon dioxide.

One of the risks of the existence of two similar autonomous systems focused on reducing greenhouse gas emissions is the lack of understanding of this autonomy among potential users and participants in these systems. This can make it difficult for them to make the right choice in favor of a particular system depending on their needs, the perception of the differences existing between them and the mistakes associated with the transfer of knowledge in relation to one system to another system. The main approaches to reduce and eliminate this group of risks are to increase the awareness of potential users, participants and the general public, and improve the ability to distinguish between the two systems. To this end, the Qazaq Green Certification Program Standard uses, whenever possible, a different conceptual framework, such as "certified emission reduction" instead of "carbon offset", "certified emission reduction units" instead of "offset units", "GHG report" instead of "carbon offset implementation report". At the same time, the terminology used by the Qazaq Green Certification Program is not new, it is used by the international standard ISO 14064-2:2019 specifies principles and requirements and provides guidance at the project level for the quantification, monitoring and reporting of activities intended to cause greenhouse gas (GHG) emission reductions or removal enhancements, adopted as the national standard of the Republic of Kazakhstan. However, when the same conceptual framework is used by both systems, the Qazaq Green Certification Program (QGCP) Standard makes reference to the appropriate system whenever possible, which includes, for example, "QGCP accredited validator", "QGCP accredited verifier".

Another group of risks associated with the existence of two similar autonomous systems with the same goal of reducing greenhouse gas emissions within the framework of an appropriately defined and planned project activity is the possibility of obtaining double benefits through participation in both systems. This is referred to as "double counting projects" and is covered in more detail in the Qazaq Green Certification Program Policy on Avoiding Double Counting Projects.

However, there are a number of legal and technical barriers to reduce and eliminate these risks. Firstly, the environmental legislation of the Republic of Kazakhstan does not provide for the



possibility of paying off quotas (full and partial) using CQG certified greenhouse gas emission reduction units. Secondly, accounting and operations with units of certified greenhouse gas emission reduction CQG are carried out in the QGCP Register, and accounting and operations with offset units - in the State Register of Carbon Units. These two registers are completely autonomous from each other and, within the framework of the current legislation of the Republic of Kazakhstan, their carbon units cannot be transferred from one register to another.

At the same time, there are potential risks associated with the possibility of carrying out the same project activity (full or partial) under the terms of legally regulated carbon offsets and certified emission reductions under the terms of the Qazaq Green Certification Program Standard. Such situations are also recognized as “double counting of projects” and are dealt with in more detail in the Qazaq Green Certification Program Policy on Avoiding Double Counting of Projects.

It should be noted that, in accordance with the definition of Article 298 of the Environmental Code of the Republic of Kazakhstan, “Carbon offset means a reduction in greenhouse gas emissions and (or) an increase in greenhouse gas removals achieved as a result of activities or activities in any sectors of the economy in the Republic of Kazakhstan aimed at reduction of greenhouse gas emissions and (or) increase in greenhouse gas removals.”. Therefore, based on the provisions of the current legislation of the Republic of Kazakhstan, it is not possible to separate the projects of the Qazaq Green Certification Program and carbon offsets by their scope.

At the same time, the Qazaq Green Certification Program provides for the reduction and elimination of these risks through the disclosure to the general public of registered greenhouse gas projects, the requirement to disclose such information in the project documentation of greenhouse gas projects, as well as measures to more clearly define project boundaries, assess the applicability of the additionality criterion . Along with this, the Qazaq Green Certification Program will maintain ongoing consultations and exchange of information with the Ministry of Ecology and Natural Resources and Zhasyl Damu JSC, the operator of the carbon units trading system.

In addition, in accordance with the Qazaq Green Certification Program Standard, any member of the public will be able to submit a QGCP complaint regarding a potential double counting issue in relation to registered GHG projects, CQG certified emission reduction units produced or issued. Such applications may be submitted to the QGCP (email address) subject to the confidentiality of the identity of the applicant.

QGCP may also consider the possibility of including in the Qazaq Green Certification Program Standard the requirement for the developers of greenhouse gas projects to notify the Ministry of Ecology and Natural Resources as an authorized state body under the UN Framework Convention on Climate Change and the Paris Agreement, as well as the regulator of the national emissions trading system. This will additionally reduce the risks of the possibility of implementing the same project activity within the framework of two autonomous systems, and hence the double counting of projects. However, such notification requires the regulation of the timing, the stage of project activity at which such notification is made. This may lead to further legislative regulation of these

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requirements and, in general, can be considered as an administrative barrier to entrepreneurial activity.