



## On approval of the rules for the sale of carbon units

### *Unofficial translation*

Order of the acting Minister of Ecology, Geology and Natural Resources of the Republic of Kazakhstan dated June 29, 2021 No. 221. Registered in the Ministry of Justice of the Republic of Kazakhstan on July 27, 2021 No. 23719

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In accordance with paragraph 5 of Article 299 of the Ecological Code of the Republic of Kazakhstan, **I hereby order:**

1. To approve the attached rules for the sale of carbon units.
2. The Department of climatic policy and green technologies of the Ministry of Ecology, Geology and Natural Resources of the Republic of Kazakhstan in the manner prescribed by law to ensure:
  - 1) state registration of this order in the Ministry of Justice of the Republic of Kazakhstan;
  - 2) placement of this order on the Internet resource of the Ministry of Ecology, Geology and Natural Resources of the Republic of Kazakhstan after its official publication;
  - 3) within ten working days after the state registration in the Ministry of Justice of the Republic of Kazakhstan of this order, the submission of information to the Department of Law Service of the Ministry of Ecology, Geology and Natural Resources of the Republic of Kazakhstan on the execution of measures provided for by subparagraphs 1) and 2) of this paragraph.
3. Control over the execution of this order is assigned to the supervising vice-minister of the ecology, geology and natural resources of the Republic of Kazakhstan.
4. This order comes into force from the day of its first official publication and applies to the legal relations that arose from July 1, 2021.

*Acting minister of ecology,  
geology and natural resources  
of the Republic of Kazakhstan*

*S. Brekeshev*

"AGREED"

Ministry of national economy of the  
Republic of Kazakhstan

"AGREED"

Ministry of trade and integration of the  
Republic of Kazakhstan

Approved by the  
acting minister of ecology,

## **The Rules for the sale of carbon units**

### **Chapter 1. General provisions**

1. These Rules for the sale of carbon units (hereinafter referred to as the Rules) are developed in accordance with paragraph 5 of Article 299 of the Ecological Code of the Republic of Kazakhstan (hereinafter - the Code) and determine the procedure for the sale of carbon units carried out by participants in the carbon market in the Republic of Kazakhstan.

2. The following concepts and definitions are used in these Rules:

1) secondary carbon market - the purchase and sale of carbon units on the initiative of quota subjects or individuals and legal entities involved in the sale of carbon offset, carried out through a direct transaction or through a commodity exchange;

2) lot - a batch of units of carbon quota or offset units sold or delivered under the contract and put up for sale from an auction;

3) an operator of a carbon unit trade system - a subordinate organization on regulation of greenhouse gas emissions of an authorized body in the field of environmental protection, which ensures technical and expert support of state regulation and international cooperation in the field of emissions and absorptions of greenhouse gases;

4) primary carbon market - the sale of units of carbon quota from the corresponding category of the reserve of the National plan of carbon quotas by the operator of the carbon unit trade system to the subjects (participants) of the carbon market at auction conditions;

5) trading day - a day of work of the organizer of the auction, during which they carry out exchange trading;

6) carbon unit - an accounting unit of carbon quota or carbon offset equal to one ton of carbon dioxide equivalent;

7) participants in the carbon market – quota subjects, individuals and legal entities involved in the sale of carbon offset, an operator of a carbon unit trade system.

3. These rules issued in circulation in the Republic of Kazakhstan, in the carbon market of a foreign state, as well as the sale of carbon units, issued in circulation in a foreign state, in the carbon market of the Republic of Kazakhstan, are determined by international treaties of the Republic of Kazakhstan.

### **Chapter 2. Procedure for the sale of carbon units**

4. A carbon unit is a product allowed for circulation between the subjects of the carbon market in the Republic of Kazakhstan in accordance with Article 299 of the Code.

5. The subjects of the carbon market are:

1) quota subjects;

2) individuals and legal entities involved in the sale of carbon offset;

3) the operator of the carbon unit trade system.

6. The carbon unit trade system in the Republic of Kazakhstan consists of primary and secondary carbon markets:

1) in the primary carbon market, the operator of the carbon unit trade system sells the carbon quota units from the corresponding category of the reserve of the National plan of carbon quotas to the subjects of the carbon market at auction conditions;

2) in the secondary carbon market, the subjects of the carbon market purchase and sell carbon units between each other by means of a direct transaction or through a commodity exchange.

7. Carbon units that are canceled, repaid, removed from circulation or withdrawn from circulation by the decision of the authorized body in the field of environmental protection, are not the object of trade in accordance with these Rules and the Code.

8. The sale and purchase of carbon units by the operator of a carbon unit trade system is carried out through a commodity exchange. A carbon unit is an exchange product allowed for the circulation by a commodity exchange.

9. The sale of carbon units in the Republic of Kazakhstan is carried out by writing them off from the seller's account and crediting to the account of the buyer in the state register of carbon units of the Republic of Kazakhstan.

10. The commodity exchange, on which carbon units are traded, is determined by the authorized body in the field of environmental protection on a competitive basis from among the applicants who can provide exchange trading with carbon units in accordance with Article 299 of the Code and these Rules.

11. The procedure for the sale of carbon units on the commodity exchange is determined in accordance with the order of the acting Minister of the National Economy of the Republic of Kazakhstan dated March 30, 2015 No. 280 "On approval of the standard rules of exchange trade" (hereinafter referred to as the standard rules).

12. For servicing the trading for primary and secondary sales of quotas, providing clearing and calculations, as well as ensuring the supply of carbon units, the commodity exchange, on which carbon units are traded, concludes an agreement with the operator of the carbon unit trade system on regulation of interaction and implementation of electronic document turnover in clearing and calculation process.

13. In order to obtain reliable information on prices for carbon units, price quotation is made for a carbon unit on a commodity exchange, taking into account the current market conditions.

14. Exchange quotation of prices per unit of carbon quota or offset unit is carried out by a commodity exchange in accordance with the Standard rules.

15. The prices of exchange quotation are reference in nature and are indicative for the participants in exchange trading.

16. In the absence of an exchange quotation of prices per unit of carbon quota or an offset unit on a commodity exchange on the day of the transaction, the price is determined by the last affordable quotation of prices per unit of carbon quota or an offset unit.

### **Chapter 3. Procedure for the sale of carbon units in the primary carbon market**

17. The sale of units of carbon quota in the primary carbon market is carried out by the operator of the carbon unit trade system by organizing and conducting auctions on the commodity exchange in accordance with the annual calendar of their holding. The trading mode is determined by the commodity exchange in accordance with the Standard rules.

18. The annual auctions calendar is approved by the operator of the carbon unit trade system and is published on its Internet resource no later than December 1 of the previous year.

19. The transfer of the planned date of the auction provided for by the annual calendar for a later date is carried out by the operator of the carbon unit trade system for a period of not more than 4 (four) working days with a notification of quota subjects that submitted applications for the auction.

20. Additional auctions that are not specified by the annual calendar are organized by the operator of the carbon unit trade system in December each year with a notification of their potential participants no later than 20 (twenty) calendar days before the planned date of their holding.

21. The volume of units of carbon quota to be sold at a planned auction does not exceed twenty-five percent of the total number of quotas provided for sale at the auction conditions in the corresponding year.

22. The minimum size of each lot intended for sale at auction is set by the operator of the carbon unit trade system in a multiple of a hundred tons expressed in carbon dioxide.

23. The operator of the carbon unit trade system sets the limit on the number of lots that are acquired by one subject of quotation within the framework of one trading session.

24. The operator of the carbon unit trade system determines the minimum permissible price per unit of carbon quota with its announcement no later than 7 (seven) calendar days before the planned date of the auction, at the level of the weighted average price per unit of carbon quota at the available last five trades on the commodity exchange.

25. Applications with a price less than the minimum permissible price are not accepted for consideration.

26. The operator of the carbon unit trade system uses as a warranty support of a unit of carbon quota that is in its control.

### **Chapter 4. Procedure for the sale of carbon units in the secondary carbon market**

27. The sale of carbon units in the secondary carbon market is carried out by its participants by concluding a direct transaction between them or through a commodity exchange.

28. Carbon units on a commodity exchange are traded in accordance with the Standard rules.

29. A direct transaction on carbon units is concluded by a carbon market participants based on a contract of sale at a price of not lower than the level of exchange quotation of a unit of carbon quota and an offset unit on the day of the transaction.

30. In the absence of an exchange quotation of prices per unit of carbon quota or an offset unit on a commodity exchange on the day of the transaction, the price is determined by the last affordable quotation of prices per unit of carbon quota or an offset unit.

31. In the case of a direct transaction on carbon units, the buyer of carbon units submits the third copy of the contract of sale to the operator of the carbon unit trade system in order to form an indicator of the prices of over-time transactions for carbon units and to ensure their supply in the state register of carbon units.

32. The operator of the carbon unit trade system publishes an indicator of the prices of over-time transactions, compiled on the basis of information provided by the buyer of carbon units in accordance with paragraph 31 of these Rules on a monthly basis.

33. The operator of the carbon unit trade system transfers the acquired carbon units in the state register of carbon units from the seller's account to the buyer's account within three working days from the date of providing him with the relevant contract of sale.