

# Chapter 25

## The Concept and Types of Environmental Entrepreneurship



Aleksey P. Anisimov and Denis E. Matytsin

**Abstract** The chapter defines important concepts for the legal regulation of environmental entrepreneurship, which are important for the correct interpretation of the content and conclusions of the monographic study, and also for the development of environmental law as a branch of science and legislation. These include the following concepts: “ecological entrepreneurship”, “ecological tourism”, “ecological insurance”, “ecological contract”, “ecological audit” and a number of others. The authors argue that environmental entrepreneurship is a type of entrepreneurial activity carried out by legal entities and individual entrepreneurs at their own risk and under their responsibility to make a profit. This activity is aimed at the production of environmental protection products, conducting research and credit and financial activities, performing environmentally significant works, and providing services. The most developed type of environmental entrepreneurship in Russia is related to the provision of environmental services. Among the latter, in turn, it is necessary to distinguish between environmental audit, environmental insurance, eco-tourism, and waste management of production and consumption. The chapter discusses the specifics of the relevant agreements. It is suggested that over time, new types of contractual relations will also develop, in particular, in the field of voluntary environmental certification, for example, in relation to organic agricultural products. Currently, two types of environmental contracts have been mainly developed—the provision of services for the management of solid municipal waste, as well as for the provision of eco-tourism services. The remaining contracts are either not in demand

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A. P. Anisimov (✉)  
Volgograd State University, Volgograd, Russia

D. E. Matytsin  
Department of Business Law, Arbitration and Civil Procedure, Institute of Law, Volgograd State University, Volgograd, Russia

Department of Civil Law and Procedure, Volga Branch of the International Law Institute,  
Volgograd, Russia

D. E. Matytsin  
e-mail: [Dmatytsin@ya.ru](mailto:Dmatytsin@ya.ru); [ppagp@volsu.ru](mailto:ppagp@volsu.ru)

at all, or their number in the Russian Federation is still measured by an insignificant amount.

**Keywords** Environmental entrepreneurship · Industry 4.0 · Environmental agreements · Environmentally friendly technologies · Environmental audit

**JEL Codes** K32 · L26 · O44 · P28 · P48 · Q52 · Q56 · F18

## 25.1 Introduction

At present, neither the scientific literature nor the regulatory legal acts clearly define the category of “environmental entrepreneurship”. However, in most European countries, its characterization focuses on the criterion of the production of goods and the provision of services aimed at reducing or eliminating the consequences of environmental harm. To reduce emissions and discharges of harmful substances, reduce or recycle the amount of waste, as well as the use of various environmentally friendly technologies. At the moment, the United States, Japan, and Western European countries are the leaders in the implementation of environmental technologies. As noted in the scientific literature, Germany alone accounts for 43% of environmental patents for products and goods in demand in all countries. The volume of products produced in the environmental market, according to some experts, is estimated at 600 billion to 2 trillion US dollars, and the growth rate is from 5.5 to 7% per year. The domestic market of the United States for the production of environmental products and services is \$37 billion, Japan—\$30 billion, Germany—\$20 billion, France—\$10 billion. The market for environmental goods and services in Eastern Europe is estimated at \$20 billion, and in the Czech Republic, Hungary, and Bulgaria it exceeds \$600 million (Urazova, 2007).

In Russia, the formation of environmental entrepreneurship is at the very beginning. According to Article 2 of the Civil Code of the Russian Federation, entrepreneurial activity is an independent activity carried out at its own risk, aimed at systematic profit-making. Obtaining profit from the use of property, the sale of goods, the performance of works or the provision of services by persons registered in this capacity in accordance with the procedure established by law. It follows that environmental entrepreneurship is the activity of citizens-entrepreneurs and legal entities aimed at the production of goods, performance of works, and provision of services that allow for the prevention, limitation, or elimination of negative environmental impacts (Ryzhenkov, 2018).

According to E. V. Varennikova, environmental entrepreneurship should include proactive economic activities carried out taking into account environmental requirements and restrictions, which are aimed at avoiding (reducing) the negative impact on the environment, as well as improving environmental performance to maximize profits. The criteria for classifying entrepreneurs as environmentally oriented are the introduction of environmental management systems into their economic activities.

As well as the use of a significant share of environmental innovations, the significant role of environmental utility in the overall utility of the results of their activities (Varennikova, 2011).

In turn, S. V. Zlobin believes that environmental entrepreneurship is a socially significant, independent, initiative activity of individuals, which is associated with “conscious acceptance of the potential risk of unfavorable consequences in the production of environmental products. And which consists of conducting research, credit and financial activities, performing environmentally significant works, and providing services. Moreover, the activity is aimed at making a profit (income)” (Zlobin, 2011). Sharing the latter approach, we will continue to adhere to it further.

## 25.2 Materials and Methods

The legislative base of the study was made up of the following documents. The Civil Code of the Russian Federation and the Federal Laws “On Specially Protected Natural Territories”, “On the Basis of Tourist activity in the Russian Federation”, “On the Safety of Hydraulic Structures”, “On the Industrial Safety of Hazardous Production Facilities”, “On Production and Consumption Waste”, the Code of Merchant Shipping (the document introduces some terms and procedures analyzed in the work). These laws contain the main parameters of environmental agreements, including the form of the agreement, the essential conditions, the specifics of accounting for the state of the environment or individual natural objects, etc.

Environmental and civil legislation of the Russian Federation as a set of normative legal acts regulating business activities in the field of environmental protection has become the subject of research in the works of some authors. Among them: Bekisheva (2011), Varennikova (2011), Ruden (2015), Urazova (2007), and some other authors.

The definition and characteristics of individual environmental agreements were investigated: Inshakova et al. (2018) (environmental insurance), Korostelev (2008) and Ryzhenkov (2014) (eco-tourism), Serov (2000) (environmental audit), and problems of environmental education and education—Selivanova (2019).

In the process of research, general scientific methods are used, such as formal-logical, dialectical, system-structural, critical cognition. Methods of synthesis, classification, and generalization were used to interpret the results of the study. The paper also uses private scientific methods: formal-legal, the principle of assessing legal processes, the method of comparative analysis, etc.

## 25.3 Results

### 25.3.1 *Main Directions of Environmental Entrepreneurship*

At the moment, in the Russian Federation, we can distinguish three areas of development of environmental entrepreneurship:

1. environmental entrepreneurship can consist both in the performance of environmental works (construction of environmentally safe houses) and in the provision of environmental services. Among the latter, there is no doubt about environmental audit; environmental insurance; eco-tourism; waste management of production and consumption. Over time, contractual relations in the field of voluntary environmental certification will also develop (for example, concerning organic agricultural products) (Inshakova et al., 2018);
2. in addition to activities related to the direct performance of works or the provision of services, environmental entrepreneurship may also include research (development) activities. Which is aimed at the creation of environmentally friendly building materials, the development of biogas technologies, the production of new generations of solar panels, wind generators, and other renewable energy sources;
3. ensuring environmental interests in the field of entrepreneurship can also be carried out by taking into account environmental requirements when privatizing state-owned enterprises. This issue was addressed by the Order of the Ministry of Natural Resources of the Russian Federation No. 469 of 21.11.1995 “On accounting for the environmental factor in the privatization of state and municipal enterprises and organizations,” but it has lost its force, and no new legal acts have been adopted.

The above-mentioned types of business activities in the field of environmental protection are presented in civil law contracts with varying degrees of detail. At the same time, the term “environmental contract” is not used in Russian civil law but is quite widespread in the foreign science of civil and environmental law (Ruden, 2015).

Environmental contracts are a separate type of civil law contract aimed at performing environmental works or providing environmental services that are not related to the use of natural resources.

In our opinion, contracts related to the transfer of land plots, water bodies, or other natural resources to lease or on other property or obligation rights should be called “natural resource contracts” (land lease agreement, water use agreement, etc.).

### 25.3.2 *Main Types of Environmental Agreements*

Let us consider the content of the main types of environmental agreements.

1. contract for the provision of services for the management of solid municipal waste (MSW). According to Article 24.7 of Federal Law No. 89-FZ of 24.06.1998 “On Production and Consumption Waste”, regional operators conclude contracts for the provision of services for the management of MSW with the owners of such waste. Moreover, the contract for the provision of services for the management of these wastes is public for the regional operator. This means that the regional operator does not have the right to refuse to conclude this contract to the owner of MSW, which are formed and the places of accumulation of which are located in the area of its activity. Under the contract for the provision of services for the treatment of MSW, the regional operator undertakes to accept MSW in the amount and in the places (on the sites) of accumulation, which is defined in this contract. He undertakes to ensure their transportation, processing, neutralization, burial in accordance with the legislation. At the same time, the owner of solid municipal waste undertakes to pay for the services of the regional operator at a price determined within the limits of the unified tariff for the service of the regional operator approved in accordance with the established procedure.

The specificity of this contract is that its regulation is carried out not only by the norms of civil law but also by the norms of environmental law, which specify the requirements for the parties to the contract, its essential conditions (including the requirements for the calculation of fees under the contract).

2. an environmental audit contract. An environmental audit is an independent, comprehensive, documented assessment of compliance by a legal entity or individual entrepreneur with the requirements. This includes regulations and regulatory documents, federal norms and rules in the field of environmental protection, and the requirements of international standards, as well as the preparation of recommendations for improving such activities (Serov, 2000).

Currently, there is no mandatory environmental audit in the Russian Federation, only a voluntary environmental audit is applied. A voluntary audit is carried out on the initiative of the audited entity. Its implementation is mainly related to the requirements of foreign investors and banks when providing investments or credit funds for the development of production or promotion of Russian products in foreign markets, which must be certified according to international standards (Matytsin & Rusakova, 2021). The subject of an environmental audit contract is usually the environmental documentation of a business entity or other activity. However, there are reasons to talk about the need to include in the environmental audit the physical condition of treatment facilities and other environmental-saving facilities, as well as the need to comply with environmental requirements in the implementation of production processes.

A separate discussion requires the need to further expand the subject of the environmental audit contract, which is due to new challenges to humanity in the era of globalization, including a significant expansion of activities related to greenhouse gas emissions into the atmosphere. The essential terms of the environmental audit contract are not defined by law, but, in addition to the subject of the contract, they should include the price and the term. It would be advisable to regulate these features by a special federal law “On Environmental Audit”, which has not yet been adopted in Russia.

3. agreement on the sale of a tourist product. The contract in question is a type of contract for the sale of a tourist product, which, in turn, is a type of civil contract for the provision of paid services. The main requirements for the provision of tourist services are formulated in Federal Law No. 132-FZ of 24.11.1996 “On the basics of Tourist activity in the Russian Federation”. The environmental specifics of the agreement on the sale of a tourist product can be discussed both in relation to territories with a general (ordinary) ecological and legal regime and in relation to the conduct of tourist tours in specially protected natural territories (SPNT) that fall within the scope of Federal Law No. 33-FZ of March 14, 1995 “On Specially Protected Natural Territories.”

At the moment, within the borders of all categories of SRNT, including state nature reserves, it is allowed to organize educational eco-tourism, but within the borders of SPNT, additional prohibitions and restrictions are imposed on tourists and tour organizers. For example, they are related to the prohibition of free movement within the boundaries of SPNT outside of specially designated ecological trails, the time of stay, the rules of behavior of tourists, etc., which are not present on other tourist routes. Eco-tourism is today one of the most promising areas of state support for environmental entrepreneurship, accounting for about 10–20% of the total world tourism market and is the most dynamically developing industry. The World Wildlife Fund defines eco-tourism as tourism involving travel to places with relatively not spoiled nature. Travel to get an idea of the natural and cultural-ethnographic features of the area, which does not violate the integrity of ecosystems and creates such economic conditions in which the protection of nature and natural resources becomes profitable for the local population.

In our opinion, the specificity of eco-tourism is that it perfectly meets the goals and objectives of sustainable development of the country, combining the solution of social, economic, and environmental problems of Russia.

How does this manifest itself? First, the economic task is to make a profit for legal entities and individual entrepreneurs involved in the provision of eco-tourism services and to pay taxes to the budget. Scientists have calculated that tourism (including environmental tourism) directly or indirectly affects the development of 32 sectors of the economy, and also has a great impact on the development of the country’s infrastructure (construction of new roads and railways, airports, etc.). Eco-tourism is less resource-intensive than other types of tourism. There is no need for an extensive and developed tourist infrastructure (hotels, restaurants, entertainment venues). Therefore, due to the smaller amount of necessary tourist infrastructure for each

ruble invested, the profit will be higher than in other types of tourism. Accordingly, eco-tourism is economically profitable (Inshakova et al., 2018). In South Africa, eco-tourism ranks second in terms of profitability after diamond mining and in Alaska-second after oil production. Kenya's annual income from the use of national parks reaches \$450 million, while Ecuador receives more than \$180 million from eco-tourism in the Galapagos Islands (Bekisheva, 2011).

However, in the Russian Federation, this figure does not yet reach \$12 million. For comparison, the Valley of Geysers in Yellowstone National Park (USA) is visited by two million people annually, and the Valley of Geysers in Kamchatka (Russia) is visited by only 3000 people a year (Bukharova, 2010).

Second, eco-tourism as a kind of ecological entrepreneurship performs a number of important social functions. Compared to other types of tourism, its pronounced social orientation is manifested in the creation of new jobs for the local population (especially in rural areas). Also in promoting traditional forms of environmental management, the production of environmentally friendly food. Also in increasing investment in both infrastructure and services, as well as in nature conservation. Also in the growth of the well-being of the local population and the development of special education aimed at the acquisition of tourist and environmental professions. Also in the development of crafts; the development of local self-government, etc. (Ecotourism, 2002). The importance attached to the development of eco-tourism in Russia is evidenced by the fact that out of the first seven special economic zones of the tourist and recreational type, six were supposed to develop eco-tourism. It is necessary to pay attention to the fact that the main development of ecological tourism in the Russian Federation will be carried out in territories with a special ecological and legal regime (dendro-parks, botanical gardens, national and natural parks).

Third, the importance of eco-tourism is very important for environmental protection. The fact is that the most effective protection of land is not through the establishment of prohibitions and penalties, but by creating effective economic guarantees. Which are aimed at ensuring the sustainable development of not individual land plots, but large territories. In this case, not only environmental problems are solved (residents do not arrange garbage dumps on tourist routes, do not drain pollutants into rivers, etc.), but also economic ones. The latter is important because many environmental offenses stem from poverty. Citizens do not buy garbage containers and do not pay for garbage collection, not because they do not feel sorry for nature, but because of a lack of money. Therefore, very often ravines in rural areas are one big dump. Since in the areas of mass eco-tourism, most of the residents are involved in trade, food, hotel business, etc., nature becomes profitable for everyone. Then, the pollution of land and other natural objects will be less. It won't be profitable. Otherwise, ecological tourists will not come here (Ryzhenkov, 2014).

Fourth, the contribution of eco-tourism to environmental education and education is important. Getting to know nature in reality, tourists realize the need to treat it carefully. Thus, the formation of ecological culture and ecological legal awareness takes place (Selivanova, 2019).

To date, the Government of the Russian Federation has set a goal to increase the number of visitors to SPNT to 16 million people by 2035 and to involve at least

half of the national parks in eco-tourism programs. That is why in the federal and regional programs of the four types of contracts for environmental services, only eco-tourism is constantly mentioned as a priority, while environmental insurance and audit, unfortunately, are not.

With all the advantages of eco-tourism, it, as a complex legal phenomenon, has negative consequences:

- (a) the mass appearance of tourists in the territories of fragile ecological systems leads to a deterioration in their quality. In Russia, these problems have not yet been thoroughly investigated, but the negative consequences of eco-tourism have already been established. In Kamchatka, visits to the valley of geysers led to a violation of the regime of thermal springs, and some geysers stopped pouring out. In the Arkhangelsk region, a visit to the Pinezh caves disturbed the heat and sound balance and led to the mass death of bats. On the island of Valaam in the 80s of the XX century, the degradation of landscapes occurred due to the excess recreational load (Korostelev, 2008). However, the development of eco-tourism in the Arctic poses a particular threat, given the high level of fragility and irreplaceability of many northern ecological systems.
- (b) the low level of skills of the local population does not always allow them to be involved in the eco-tourism industry. In cases where the local population refuses to follow the rules of travel companies and improve their skills, this can lead to conflicts between environmental entrepreneurs and residents.
- (c) environmental damage from tourism and its compensation. Increased construction of tourist sites increases the pressure on scenic landscapes and can lead to land degradation in addition to deforestation. In addition, tourism infrastructure can reduce the esthetic appeal of the area and have direct or indirect impacts on wildlife (for example, by limiting the migration routes of animals). Exceeding the number of visitors over the ability of nature to withstand this anthropogenic load can put enormous pressure on nature and lead to harmful consequences. This can be soil erosion, increased pollution, discharges into water bodies, and deterioration of the animal habitat. This could be increasing pressure on endangered species and increasing the vulnerability of forests to wildfires. Add to this the increased pressure on water use. This can lead to a lack of drinking water for the local population. And we will also add an increase in the noise level, illegal placement of solid municipal waste.
- (d) minimization of negative consequences for the environment in the development of eco-tourism largely depends on the level of ecological and legal culture, both of the local population and the tourists themselves. In addition to throwing household garbage by tourists (which can be eaten by animals, and then die), they also often frighten animals, try to feed them harmful products (for example, sweets). They also trample down glades and pick flowers, and carve their names and other inscriptions on stone and wood. They buy poaching products derived from endangered animal species, etc.



4. environmental insurance contract. Environmental insurance in the Russian Federation refers to one of the types of civil liability insurance. This is the responsibility of citizens and legal entities whose activities are associated with increased danger to others, in particular, as a result of negative environmental impacts (Zelenova, 2018). However, there is no mechanism to implement the provisions of Article 18 of the Federal Law “On Environmental Protection”, which provides for environmental insurance, yet.

An experiment conducted in the mid-1990s on environmental insurance in nineteen constituent entities of the Russian Federation showed the insufficiency of legal regulation of this type of insurance. But even in the absence of the relevant federal law, experimental calculations have shown the following. The environmental risk insurance system allows you to compensate for up to 40% of the losses caused, while maintaining a sufficiently high-financial stability of insurance operations. In addition, the insurer’s interest in obtaining maximum profit is better than, any controller for monitoring the state of environmental protection equipment at the policyholder. From the point of view of the current legislation on environmental insurance, it can be mandatory and voluntary.

At the moment, there is no mandatory environmental insurance in the Russian Federation as such, but a similar type of insurance is widely used in three related areas of public relations. First, compulsory insurance of civil liability for damage caused as a result of an accident of a hydraulic structure is provided for in Article 15 of Federal Law No. 117-FZ of July 21, 1997 “On the Safety of Hydraulic Structures”. Secondly, compulsory insurance of civil liability for damage caused as a result of an accident or incident at a hazardous production facility is provided for in Article 15 of Federal Law No. 116-FZ of 21.07.1997 “On Industrial Safety of Hazardous Production Facilities”. Third, Article 249 of the Commercial Shipping Code of the Russian Federation No. 81-FZ of April 30, 1999, provides for marine insurance, which, among other things, is applied in the case of transportation of dangerous goods by sea.

Currently, voluntary environmental insurance is not very common in the Russian Federation (although there are some examples of such contracts). This was due to the lack of a proper regulatory framework, and due to the lack of free funds for economic entities, which could be accumulated in the form of insurance deductions in case of unforeseen events.

## 25.4 Conclusion

Environmental entrepreneurship is a type of entrepreneurial activity carried out by legal entities and individual entrepreneurs at their own risk and under their responsibility in order to make a profit. This activity is aimed at the production of environmental protection products, conducting research and credit and financial activities, performing environmentally significant works, and providing services. The

most developed in Russia is environmental entrepreneurship, which is associated with the provision of environmental services. Among the latter, environmental audit, environmental insurance, eco-tourism, and waste management of production and consumption have been developed to a greater or lesser extent.

Over time, contractual relations in the field of voluntary environmental certification (for example, in relation to organic agricultural products) may also develop. This trend suggests the emergence of a new type of intersectoral agreements—environmental agreements. At the same time, contractual relations in the field of environmental services are currently developing unevenly. Today, two types of environmental contracts are most in demand in Russia—the provision of services for the management of solid municipal waste, as well as for the provision of eco-tourism services. Contracts for environmental insurance, environmental audit, and voluntary environmental certification are currently not properly applied and distributed in the Russian Federation.

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