

Kazakhstan's renewable energy resources strategy

Kazakhstan, since becoming a member to Kyoto protocol, adopted a number of legislative acts to promote green sources of energy. One of the main pieces of legislation which provides state support for green energy producers is the Law "On Support of Usage of Renewable Energy Resources" (the "**Law**"). The Law has been adopted in July, 2009 and provides state incentives for producers of renewable energy.

The Law has been subject to a number of amendments since its adoption, most which were introduced in July, 2013. The amendments introduced: 1) fixed tariffs for energy produced from renewable sources, 2) a new state body, a Center that undertakes the centralized sale and purchase of energy produced from renewable sources (the "**Center**"), and 3) further state support for production and use of energy derived from renewable sources.

The Law considers any source that replenishes or renews itself in the course of natural processes, and which are used for production of electric and heat energy, such as solar energy, wind energy, hydrodynamic energy of water, geothermal energy (the heat of soil, subterranean waters, rivers and reservoirs) and anthropogenic sources of the primary energy sources (biomass, biogas and other energy from organic wastes) to be defined as renewable energy.

The Law provides the following support to producers of electrical energy from renewable energy sources:

1. **Creation of favorable conditions for the construction and use of objects that use energy from renewable sources.** The Law requires local executive authorities to reserve and provide land plots for objects included in the government's project plan on the construction of objects producing energy from renewable sources (the "Plan"). The Plan covers the years 2013 – 2020 and includes over 100 projects that will produce renewable energy. The Plan has recently been updated in 2014."
2. **Extensions of investment preferences for legal entities planning to construct and put into production objects that produce renewable energy.** Investment preferences are provided with a duly-executed investment contract with the Ministry on Investments and Development ("**MID**"). A legal entity, under the investment contract, may benefit from: a) exemption from customs duties for import of equipment and goods required for construction for a term of 5 years, and b) provision by the state of so-called "natural grants" (land plots, building, machinery or equipment) which an investor may require to undertake the investment project. If the project on construction of an object that produces the electric energy from renewable sources qualifies as the priority investment project, the investment preferences may extend to: a) exemptions from taxes, and b) investment subsidies (reimbursement of up to 30 % of expenses for construction and installation works and purchase of equipment).
Support in sale of electrical energy produced from renewable sources. The Law requires the Center to purchase electrical energy from organizations that produce electrical energy from renewable sources. The Center purchases the energy from organizations that produce renewable energy on the basis of sale and purchase agreements with fixed tariffs. The fixed tariffs are valid for 15 years and are outlined in the sale and purchase agreement between the Center and a producer of the energy from renewable sources. The Center further sells the energy to local grid companies, which are obliged to buy the energy from the Center at a special tariff. The Government of the Republic of Kazakhstan has approved the model contract for sale and purchase of electrical energy from organization producing the electrical energy from renewable sources.
3. **Fixed tariffs.** To secure the position of organization producing the electric energy from renewable sources on the market, the Kazakhstani Government introduced the fixed tariffs for electric energy from each type renewable sources. The fixed tariffs are fixed in Kazakhstani tenge and valid for 15 years. Once per year the fixed tariffs are subject to indexation on the basis of the official level of inflation in Kazakhstan. The fixed tariffs are set in the sale and purchase agreement concluded between the Center and an organization producing the electrical energy from renewable sources.

4. **Free electrical and heat energy transmission.** The Law obliges power transmitting organizations to provide power transmission services to organization producing the electrical and heat energy from renewable sources for free.
5. **Support of power transmitting organizations in providing access to the electrical and heat network for objects producing electrical and heat energy from renewable sources.** To facilitate the functioning of objects that produce energy from renewable sources, amendments to the Law in July, 2013 introduced a number of provisions that oblige power transmitting organizations to coordinate and provide support to producers of electrical and heat energy from renewable sources. According the Law, power transmitting organizations must on a non-discriminatory basis and without any hindrance:
 - 1) determine the closest access point to the electrical and heat network for the objects producing electric and heat energy from renewable sources; and
 - 2) connect the objects producing the electrical and heat energy from renewable sources to the closest network.

Furthermore, the Law requires that power transmitting organizations give priority to the electrical energy from renewable sources in case of limited traffic capacity of the electrical network.

If the current electrical and heat network requires extension or reconstruction in order to be connected to the objects producing the electrical and heat energy from renewable sources, the power transmitting organizations must conduct such extension and reconstruction with inclusion of relevant expenses to their tariffs.

The Law expressly states that energy transmitting organization may not refuse in connection to electrical network for the objects producing electrical energy from renewable sources networks on the basis of lack of technical conditions.

The whole process of realizing the project on construction (reconstruction) of objects producing energy from renewable sources can be outlined in brief as follows:

1. Relevant location for plant construction is chosen in accordance with the Plan that outlines all perspectives locations.
2. Executive local authorities provide land plots in accordance with the Plan and Kazakhstani legislation on land use.
3. Closest point of access to the energy network is chosen, and the plan for the supply of power is devised.
4. Preparation of the construction project. Relevant design and project documentation must be prepared and approved by the state as a construction object.
5. Application to the Ministry of Energy of the Republic of Kazakhstan (“**ME**”) to include the object to the list of objects producing energy from renewable sources (the “**List**”).
6. Conclusion of the agreement with the Center to sell the energy once the object will be in the List, under the condition that the permission for the construction will be issued within 12 months, and that after 36 months there will be act on initiation of operations on production of the energy.

Kazakhstan, in its strategic plan of development for 2020, set the target that the energy from renewable sources should be not less than 1.5 % of the total consumed energy in Kazakhstan by 2015. In 2020 the target is 3%. Kazakhstan provides both economic and legal incentives to reach these targets.

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