



Renewable Energy of Ukraine: Quarterly Legal News

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The Concept of the “green” energy transition of Ukraine until 2050 was presented

January 21, 2020

Ministry of Energy and Environmental Protection of Ukraine presented the draft of the [Concept of Green Energy Transition of Ukraine until 2050](#).

The main indicators for the sector of renewable energy sources (RES) according to the Concept:

- energy efficiency and **RES become the definitive directions of Ukraine's energy transition**;
- increase of the sustainable production of biomass, biofuels and other RES to support implementation of green transition;
- replacement of coal TPP by 2050 due to the development of solar and wind generation, biomass power plants coupled with the introduction of new highly maneuverable generating facilities - in particular ones operating on synthetic gas produced through RES and biogas;
- **large-scale use of RES** (biofuels and waste, electricity and heat from RES) in industrial processes to replace carbon resources;

As a result of implementation of Concept's provisions, the role of RES in production and consumption of energy resources is expected to increase significantly by 2050, in particular, through reaching the share of RES in electricity production by 70%.

Decree of Cabinet of Ministers of Ukraine No. [1175](#) “On Introducing of Competitive Conditions for Promotion of Electricity Generation from Alternative Energy Sources” was promulgated

January 31, 2020

The Decree has approved the Order for holding auctions for distribution of the support quotas and the Order for selecting operators of digital marketplaces for auctioning distribution of the support quotas.

The key points of green auctions are:

- Starting from 2020, auctions will be the only opportunity for obtaining state support for wind power plants with a capacity of more than 5 MW and solar power plants with a capacity of more than 1 MW. The rest of RES projects will be able to choose: to participate in the auctions and conclude PPA for 20 years or to obtain a "green" tariff by 2030.
- **The government will grant land plots for projects that are participating in the auctions.** However only a few projects will receive such land plots. Most likely, such land plots will be offered only in undeveloped regions that require new power facilities.
- State support quotas for RES producers will be auctioned among investors at open auctions through the “ProZorro” platform.
- The auction will be organized by the SE “Guaranteed Buyer”.
- Persons who intend to participate in an auction shall submit an application for participation in the auction through personal account by filling in an electronic form. The application must contain closed offer that includes power capacity of the project and price quotation. Bid may not exceed the rate of the "green" tariff at the date of the auction. It is important that information about participants, their number and offers is not displayed and remains confidential until the end of auction.

- The auction will take place automatically in the electronic system at the date and time specified in the announcement of auction. Upon completion of the auction, the electronic trading system automatically discloses offers of all participants of the auction and information about them. The lowest price is the criterion for choosing the winners of the auction.
- For participation at auction inter alia companies must submit the following major documents:
 - irrevocable bank guarantee to the benefit of SE "Guaranteed Buyer" in the amount of 5 EUR/1 kW. In case of winning the auction, the bidder must provide bank guarantee in the amount of 15 EUR/1 kW before the conclusion of the PPA;
 - a copy of a document certifying the right of ownership or use of the land plot;
 - copy of the agreement on grid connection of the power facility or of the construction phase (start-up complex);
 - information about the ultimate beneficial owner, and in case of absence thereof - information about reasons for the absence;
 - information about affiliates that are associated by control relations.

Ministry of Energy and Environmental Protection of Ukraine has prepared recommendations for legislative changes in state support for electricity producers from alternative energy sources

February 27, 2020

The [proposed changes](#) in the presentation were outlined because of significant increase of installed capacity of renewable energy facilities within the scope of “green” tariff support model in 2019, which created the economic inability of the SE “Guaranteed Buyer” on behalf of the state to pay for electricity produced by the producers under the “green” tariff.

To resolve the issue, the Ministry of Energy proposes to producers with established “green” tariff the following:

- Reduction of commissioning deadlines for new facilities under “green” tariff (**cut-off day**): for SPP by July 01, 2020 and for WPP by January 01, 2021.
- Introduction of full liability for imbalances without tolerable deviation errors as of the effective date of the Law.
- Restriction to generation from RES in case of threat of operational security breach of the UES regimes of Ukraine without payment of the cost of non-released electricity.
- Strengthening of the requirements for confirmation of the fact and date of new RES facilities commissioning by providing the relevant act on connection.
- **Retroactive restructuring of the “green” tariff. Investors who have already commissioned the facilities are offered:**
 - **voluntary reduction** of the “green” tariff: for the SPP by 12.5% and for the WPP by 5% without extending of “green” tariff term;

- **voluntary restructuring:** reduction of the “green” tariff with simultaneous extension of the support period: for SPP by 15-25%, depending on capacity, and for WPP - by 10% with a 5 year extension of PPA;
- if one of the options is chosen, the following is proposed: a gradual increase in liability for imbalances from 2020 to 2022 - from 10% to 100%; and tolerable forecasted deviations of 10%;
- **in case of failure of the restructuring,** it is proposed to impose 100% liability for imbalances from 2020 and 0% tolerable forecasted deviations.

Draft Law [No. 2284](#) introducing “green bonds” as a separate sub-type of securities is being prepared for the second hearing

February 4, 2020

The Draft Law introduces new financial instrument for Ukraine – “green bonds” and the launch of the market for “green bonds”, which is intended to attract additional funds in alternative energy and energy efficiency.

The Draft Law provides for:

- Funds from “green bond” placement to be invested in financing and/or refinancing of the green projects expenses.
- Emission of “green bonds” to be made by a person who implements or finances an environmentally friendly project.
- A person who has issued “green bonds” will not be able to early terminate an environmentally friendly project or transfer or encumber the rights to such a project.

USAID Energy Security Project (ESP) reviewed Draft Decree of Cabinet of Ministers of Ukraine that prescribes liquidation of SE “Guaranteed Buyer”

April 3, 2020

On April 3, 2020, the mass media reported about the Draft Decree of Cabinet of Ministers of Ukraine, which provides for liquidation of the SE “Guaranteed Buyer” and defines SE “NNEGC “Energoatom” as a electricity offtaker from May 1, 2020.

In its turn, the SE “Guaranteed Buyer” [reported](#) that the draft of the mentioned Decree was not promulgated and was not provided to the state enterprise.

At the same time, the USAID Energy Security Project (ESP) [reported](#) that it had reviewed the draft of the Decree and had provided its analysis and recommendations.

ESP considers that expedited liquidation of the SE “Guaranteed Buyer” and granting its functions to SE “NNEGC “Energoatom” will have very serious consequences for the functioning of the wholesale electricity market. This can cause market failure and the inability to fulfill special obligations (PSO), especially since the electricity market is in a critical period due to the coronavirus pandemic.

ESP strongly recommends that no changes should be made to the current special obligations mechanism and proposes a [strategy](#) for the proper implementation of the improved financial PSO (F-PSO), including its gradual reduction and cancellation.

Renewable electricity in Ukraine has increased production volumes almost three times

April 2, 2020

In January-February 2020, solar, wind and biomass power plants in Ukraine increased electricity production 2.68 times - to 1.184 billion kWh compared to the same period last year ¹.

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¹ <https://uaenergy.com.ua/post/33063/vozobnovlyamaya-elektroenergetika-v-ukraine-uvelichila-obemy-proizvodstva-pochti-v-tri-raza>