



Development of Renewables in Central Asia – Lender’s perspective

November 2021

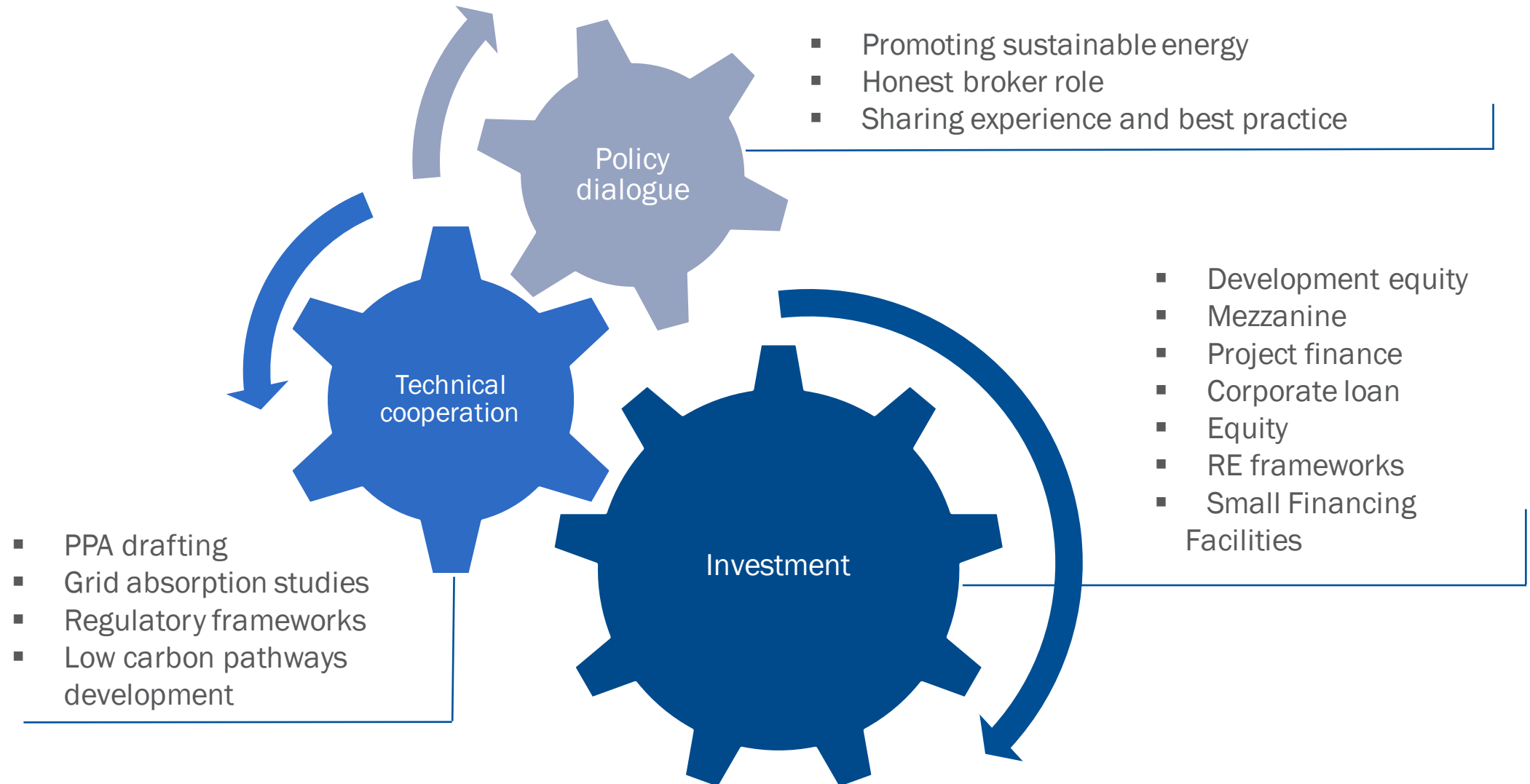


EBRD investments in energy in Central Asia

Operational approach



European Bank
for Reconstruction and Development



EBRD investments in energy in Central Asia

Challenges and Opportunities

Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan, Mongolia

- The EBRD is the pioneer in supporting sustainable energy projects in the region
- Through investments, the Bank aims to support sector reforms that increase competition and liberalization of the market, strengthen frameworks for regionalization and energy security, prioritize energy efficiency and use of renewable energy

What is required to unlock the potential?

- The region needs stronger macroeconomic policies and clear, independent and predictable sector regulation.
- Long term regulatory certainty/predictability is the key.
- Bankable transactions attracting other lenders and third party finance.
- Reliable, financially stable shareholders (sponsors).

What is the region's potential?

Starting point

- **Exceptional resource potential** (especially wind, solar, hydro) for developing renewables
- Strong but pragmatic **political will**
- Strong population growth
- Existing/developing **legal framework**, support mechanisms

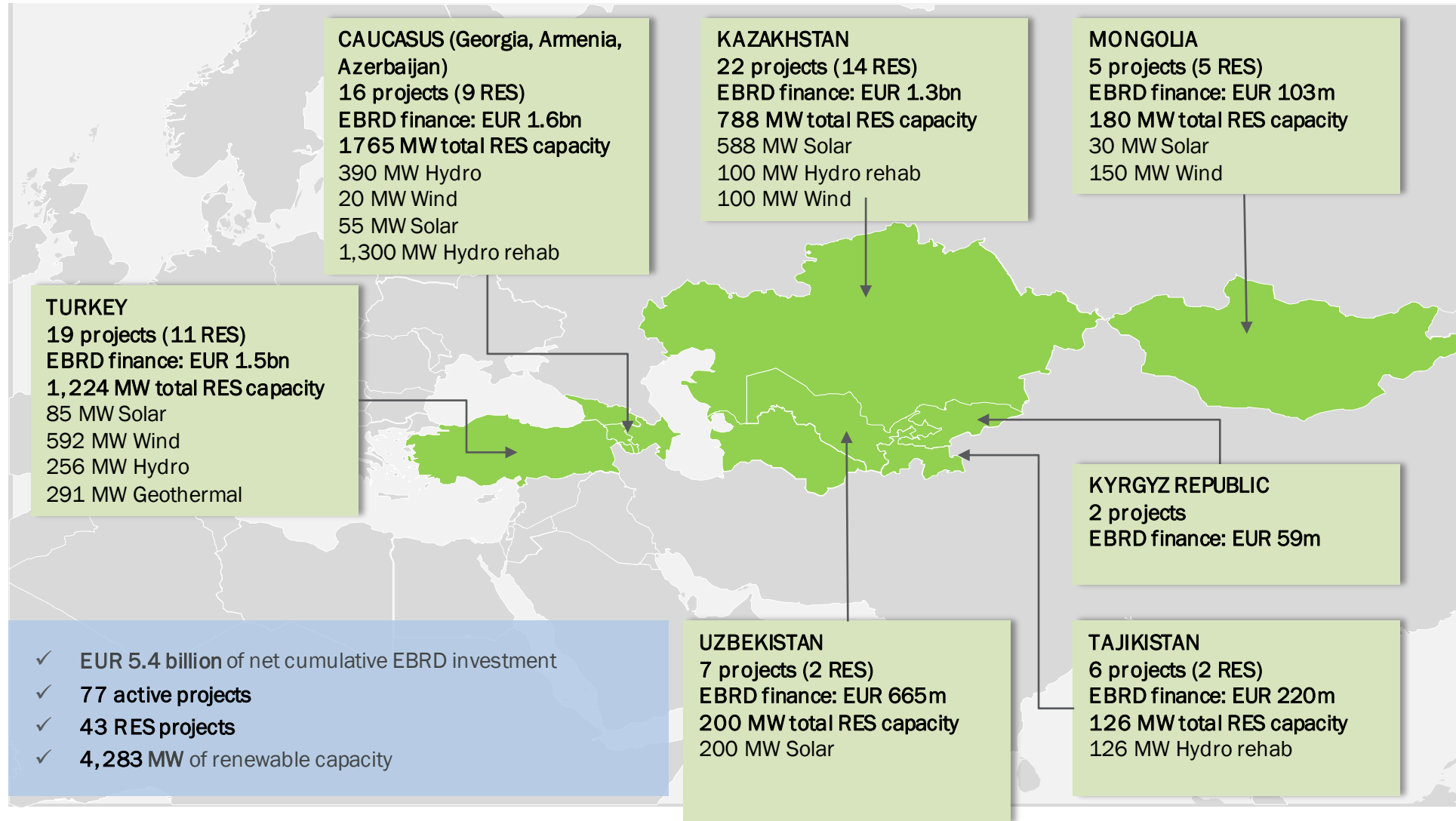
Opportunities

- Attracting reputable foreign and local investors
- Attracting “know-how” and the best available technology on the market
- Steep cost reduction of RES technologies
- Carbon footprint and emission reduction
- Supply of carbon credits to the carbon credit market

Challenges

- **Intermittent and unpredictable nature** of wind and solar power, **seasonality** of hydro
- **Impact of large power volumes** interfering with system stability because of priority of dispatch (no balancing market)
- **Poor diversification** of power sector balance with huge reliance on aged power stations

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EBRD investments in renewables in Central Asia

Promoting Green Transition in Kazakhstan

LEGISLATION

2009	<ul style="list-style-type: none"> • Introduction of feed-in tariff system with uniform structure
2011-2013	<ul style="list-style-type: none"> • Launch of operational legal framework with a set of rules and norms on renewable energy • Introduction of (i) fixed feed-in tariffs, (ii) development of the Financial Settlement Centre off-taking energy via (iii) development of Power Purchase Agreements agreement
2013	<ul style="list-style-type: none"> • Introduction Law on supporting the use of Renewable Energy
2014	<ul style="list-style-type: none"> • Introduction of full indexation of feed-in tariffs against inflation
2015-2016	<ul style="list-style-type: none"> • Introduction of the Green Economy Law which provides further supports to the development and operation of renewable energy projects
2018-2019	<ul style="list-style-type: none"> • Introduction of auction scheme for RES development. • 858MW of solar, wind, hydro and biomass capacity was auctioned.

POLICY DIALOGUE ACTIVITIES

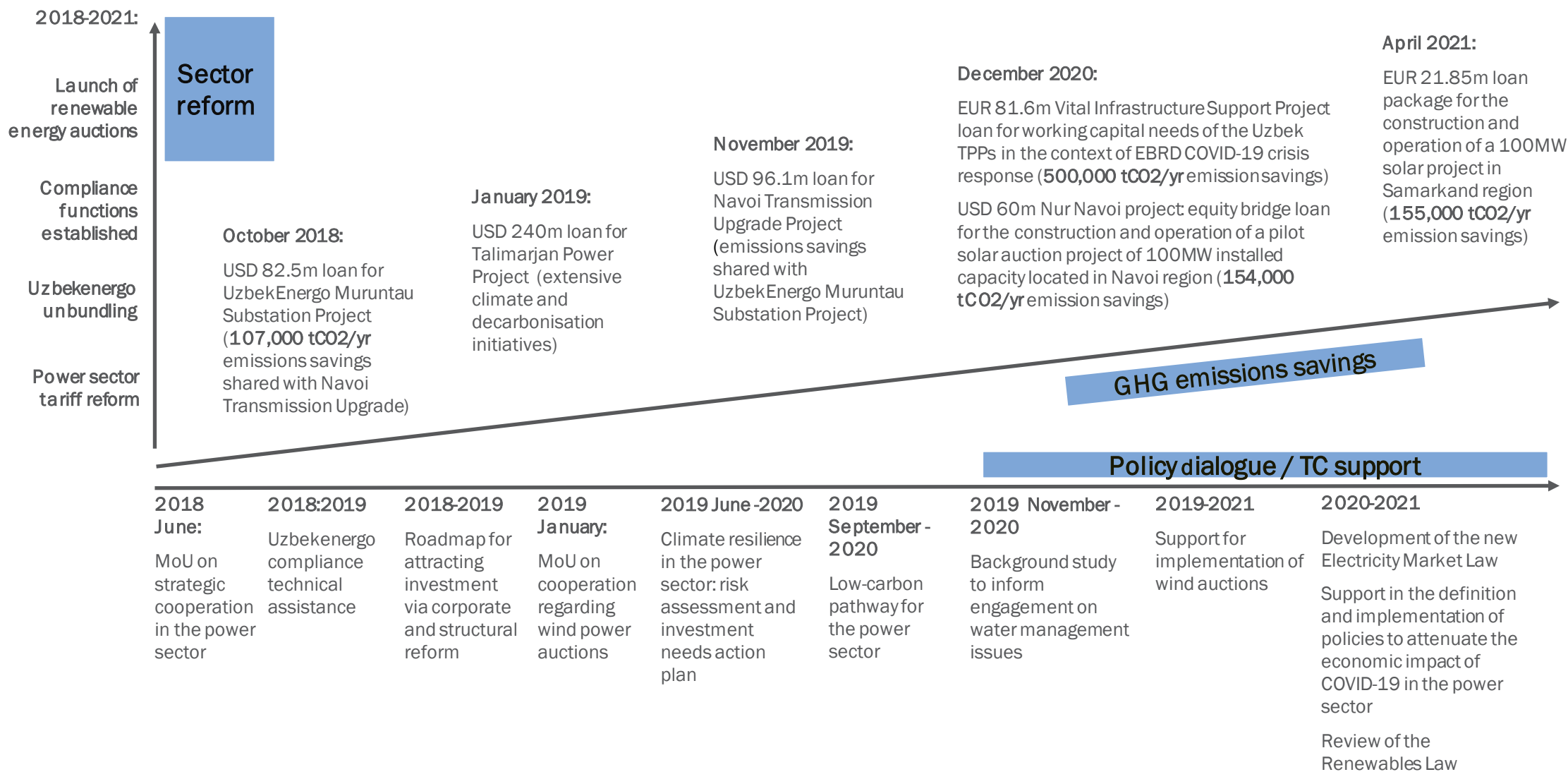
<ul style="list-style-type: none"> ▪ Assisting for drafting of secondary legislation implementing the renewable energy law (2009)
<ul style="list-style-type: none"> ▪ Advice to the Government of Kazakhstan on Developing FiTs for Renewable Energy Sources (2010) ▪ Advising on improvement renewable energy primary legislation (2011) ▪ Advising on a renewable energy sources allocation (2013)
<ul style="list-style-type: none"> ▪ Modelling the social impact of renewable energy feed-in tariffs (2013)
<ul style="list-style-type: none"> ▪ Assisting in the final stage of developing renewable energy legislation (2014)
<ul style="list-style-type: none"> ▪ Assisting Ministry of Energy on establishing a bankable regulatory and legal framework (2015-2016) ▪ Strategic Environmental Review (SER) of RES development in Kazakhstan (2015-2016)
<ul style="list-style-type: none"> ▪ Assisting in the review of the PPA bankability (2018) ▪ Support for the implementation of wind auctions in Kazakhstan, including regulatory support on the tender process and documentation for the wind power projects (2019) ▪ Promoting gender equality in RE sector (2019) ▪ Strategies for carbon market development (2019) ▪ Memorandum of Understanding (2019)

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Promoting Renewables Development in Uzbekistan



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Auctions for Renewable Capacity

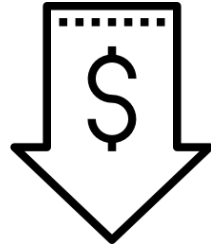


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Why auctions?

➤ Good for consumers

- *energy at the lowest price*



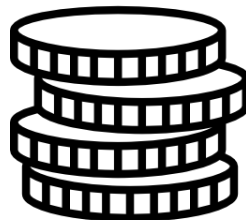
➤ Good for the authorities

- *transparent and objective selection process and price determination*
- *control over budget, timing and location*



➤ Good for industry

- *lower regulatory risk (is the price “right”?)*
- *stable and long-term high volume business*



Case Study: Karakalpakstan WPP– 100 MW

Project scope	<ul style="list-style-type: none"> • Develop, finance, construct, own and operate 100 MW wind power plant.
Location	<ul style="list-style-type: none"> • Located in the Qorao’zak district of Karakalpakstan region
PPA term and tariff	<ul style="list-style-type: none"> • 25 years • Tariff will be 100% indexed to USD but payable in Uzbek Som.
Public Partners	<ul style="list-style-type: none"> • JSC National Electric Grid of Uzbekistan - PPA. • The Ministry of Investment and Foreign Trade (“MIFT”), as signatory of the GSA on behalf of GOU.
Support Structure	<ul style="list-style-type: none"> • GOU will provide support under GSA, including bankable termination provisions and support in land allocation. There will be liquidity support in the form of a Letter of Credit from an acceptable bank.
Tender Stage	<ul style="list-style-type: none"> • 70 submissions received for the EOI • 12 prequalified bidders • Bids submitted: ACWA Power (SA); Masdar (UAE), Voltalia (FR) • Winner: ACWA Power with tariff USc 2.5695

Contacts



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