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State aid in the sector of renewable energy resources in Uzbekistan

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Renewable energy resources (“**RER**”) are defined under Uzbek law as solar and wind power, geothermal and hydro power, as well as biomass energy.

Nowadays, RER is recognized as the salvation to the issue of carbon dioxide (CO₂) emission and its attendant global warming. Along with the other countries, Uzbekistan as a party to the Paris Agreement (2015) seeks the common goal of greenhouse gas emission mitigating.

Nevertheless, despite of having ample potential for solar and wind power, to the current date Uzbekistan has not been able to achieve remarkable progress on the issue at stake.

For reference, the share of electricity, produced from the RER (which is foremost hydropower) in Uzbekistan accounted for only 10% in 2019. To compare, Germany, which is the record-holder, at the beginning of 2019 had 47.3% share of electricity produced from the energy of the sun, wind, biomass and water.

Notwithstanding previous outcomes, enhancement of RER has more potential to success. Over recent years, Uzbekistan has been paying a lot of attention to the development of energy and has set quite ambitious goal of reaching 25% of RER in total energy production until 2030. Particular hopes are given precisely to the “green” types of energy, primarily solar, given the large free areas and a significant number of sunny days during a year in Uzbekistan. Herewith, on the way of moving to the more “green-friendly” direction, Uzbekistan has recently adopted the laws on the provision of benefits and incentives.

State aid

The RER sector is predominantly regulated by the Law “On the Use of Renewable Resources of Energy” No.ZRU-539 dated 21 May 2019 (**the “Law on RER”**). According to the Law, the Ministry of Energy of the Republic of Uzbekistan (**the “Ministry of Energy”**) is the main state authority in the field of the use of renewable energy resources.

Mainly, the Law touches upon the general privileges, provided to the investors, who are planning to import and install renewable power generation equipment and to the renewable energy producers.

The government grants the following forms of state aid for the investors:

- ▶ tax, customs and “other incentives and benefits”;
- ▶ assistance with creation and application of innovative technologies;
- ▶ a state guarantee to connect the power generating equipment to the national electrical grid.

Meanwhile, the steps to obtain these forms of state aid are not clarified, nor it is clear what types of “other incentives and benefits” may be granted. This means that unless the new regulations are adopted, the decision on granting of state aid to the particular legal entity rests with the government, which it may exercise on a case-by-case basis, depending on the amount of investment, the level of production and other factors of each particular case.

For the producers of RER equipment, state provides exemption from all taxes for 5 years from the date of their state registration. Renewable energy producers will also be exempted from income and land taxes for 10 years if their power output is 0.1 MW or more.

Special attention should also be given to the Decree “On Acceleration of Measures to Improve Energy Efficiency of Economic Sectors and Social Spheres, Implementation of Energy Saving Technologies and Developing of Renewable Energy Resources” No. PP-4422 (**The Decree**) adopted by the President of Uzbekistan, Shavkat Mirziyoyev, on 22 August 2019.

According to the Decree, from 1 January 2020, legal entities taking loans from commercial banks for the purchase of renewable energy sources, energy-efficient gas burners and boilers, as well as other energy-efficient equipment are provided with compensation at the expense of the State budget of the Republic of Uzbekistan, provided the amount of expenses on loans does not exceed 5 billion soums (approximately USD 531 915).

The duty on adoption of conditions for granting compensation is vested to the Ministry of Finance and the Ministry of Energy of the Republic of Uzbekistan, which are obliged to promulgate the order till the end of October.

SOURCES

1. Law No. ZRU-539 “On the Use of Renewable Sources of Energy” dated 21 May 2019 (the “Renewable Energy Law” or “Law”).
2. Decree of the President of Uzbekistan No. UP-4947 “On Strategy of Actions for the Development of the Republic of Uzbekistan” dated 7 February 2017.
3. Resolution of the President of Uzbekistan No. PP-4249 “On the Strategy of Further Development and Reform of the Electric Power Industry of the Republic of Uzbekistan dated 27 March 2019.
4. Decree of the President of Uzbekistan PP-4422 “On Acceleration of Measures to Improve Energy Efficiency of Economic Sectors and Social Spheres, Implementation of Energy Saving Technologies and Developing of Renewable Energy Resources” dated 22 August 2019.

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