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Legislation of the Republic of Kazakhstan on Support for Use of Renewable Energy Sources

In Strategic Development Plan of the Republic of Kazakhstan until 2020, it is noted that one of the directions for successful diversification of the economy is the introduction of modern technologies based on renewable resources and energy sources.

Therefore, Kazakhstan will create incentive conditions for the development of wind power, solar and geothermal energy, introduce technologies for the effective use of the country's water resources, taking into account the principles of integrated water resources management, and make further efforts to provide the population with drinking water.

According to the Strategic Plan, by 2020 the share of alternative energy sources in the total energy consumption should be more than 3%.[1]

According to the Settlement and Financial Center for Support of Renewable Energy Sources LLP[2] in the long term wind power has the greatest potential. On the territory of 50 thousand square kilometers, which is 2% of Kazakhstan's area, the average annual wind speed exceeds 7 meters per second. The possibilities of such territory alone are sufficient to generate one trillion kilowatt hours a year, which is many times greater than the country's electricity needs. The main potential of hydroelectric power plants is concentrated in the Almaty region. By the year 2020, 11 hydroelectric power stations are planned to be constructed here. The largest of them, with a capacity of 60.8 megawatts, will appear on the Shelek River. In addition, operation of hydroelectric power stations will start in the East Kazakhstan, Zhambyl and South Kazakhstan oblasts. Solar energy will be used for electricity production in Almaty, Zhambyl and Kyzylorda regions. The most powerful power plant - at 24 megawatts - will be built in the Zhambyl region.[3]

Measures to stimulate the construction of facilities using renewable energy sources are provided, first of all, by the Law of the Republic of Kazakhstan "On Support for Use of Renewable Energy Sources" № 165-IV, dated 4 July 2009. The support measures provided by this Law can be divided into the following groups.

Investment preferences for legal entities engaged in the design, construction and operation of facilities for the use of renewable energy sources

Investment preferences are the advantages of targeted nature, which are provided for investment projects. Among the investment projects are: investment priority projects, investment strategic projects, special investment projects and investment projects that are not related to the said categories. [4] In particular, the projects implemented by newly created legal entities and providing for investments in the production of electric energy for at least two million monthly calculation indicators[5] are among the priority investment projects.[6]

If investments in the production of electric energy are carried out for a smaller amount, then such a project can also be considered as an investment project, although it does not belong to investment priority projects.

The following types of investment preferences are provided for investment projects (including investment priority projects):

- 1) Exemption from customs duties and value added tax on imports;
- 2) State in-kind grants.

For investment priority projects the following types of investment preferences are provided:

- 1) Preferences for taxes;
- 2) Investment subsidies.

Investment preferences are granted on the basis of an investment contract concluded between the Ministry of Investment and Development of the Republic of Kazakhstan and a legal entity of the Republic of Kazakhstan implementing an investment project. The legal entity implementing the investment project is subject to compliance with the requirements of the Entrepreneurship Code of the Republic of Kazakhstan.

Centralized sale and purchase of electricity generated by renewable energy sources.

According to Article 9 of the Law “On Support for Use of Renewable Energy Sources” an organization producing energy from renewable energy sources has the right at its discretion to sell the produced electric energy:

- 1) To the “Settlement and Financial Center for Support of Renewable Energy Sources” LLP at the fixed rate, effective on the date of conclusion of the contract of sale, subject to indexation;
- 2) To consumers at contract prices on the basis of contracts concluded in accordance with the legislation of the Republic of Kazakhstan on electricity.

Fixed tariffs for supply of electrical energy produced by renewable energy sources were approved by the Decree of the Government of the Republic of Kazakhstan № 645, dated 12 June 2014. For example, according to the said Decree, the fixed tariff for energy from wind farms (excluding the wind farm “Astana EXPO-2017” with a capacity of 100 MW) is 22.68 KZT / kWh excluding VAT.

For example, according to the decree, the fixed tariff for energy from wind farms (except for the wind farm “Astana EXPO-2017” with a capacity of 100 MW) is 22.68 KZT / kWh excluding VAT. The fixed tariff for the wind farm “Astana EXPO-2017” with a capacity of 100 MW is 59.7 KZT kWh excluding VAT. Fixed tariffs are subject to indexation and adjustment in the order established by the Government of the Republic of Kazakhstan.

The “Settlement and Finance Center for Support of Renewable Energy Sources” LLP concludes contracts for purchase and sale of electricity with energy-producing organizations included by the Ministry of Energy of the Republic of Kazakhstan in the List of Energy-Producing Organizations Using Renewable Energy Sources.

The “Settlement and Finance Center for Support of Renewable Energy Sources” LLP sells energy produced using renewable energy sources to so-called “conditional consumers”, i.e. (i) energy producing organizations that use coal, gas, sulfur-containing raw materials, oil products and nuclear fuel; (ii) subjects of the market of electric energy, acquiring electric energy from outside the Republic of Kazakhstan or (iii) hydroelectric power plants with facilities located in one hydroelectric complex, with a total capacity of over thirty five megawatts, with the exception of those commissioned after 1 January 2016. The sale is carried out at the so-called “tariff for support of renewable energy sources”, which, in particular, includes the costs of the “Settlement and Finance Center for Support of Renewable Energy Sources” LLP for the purchase of electricity generated by renewable energy sources.[7]

The costs of a “conditional consumer” for the purchase of electrical energy produced by renewable energy sources from the “Settlement and Finance Center for Support of Renewable Energy Sources” LLP are taken into account when determining the value of the cap tariff for electricity. The cap tariff is the maximum tariff for which electricity is sold by “conditional consumers”.

The heat energy produced by renewable energy sources and supplied to the district heating system of the settlement with the parameters corresponding to the heat carrier parameters in the district heating system is purchased by the power supply

organization of this settlement.

It should also be noted that organizations using renewable energy sources are exempted from payment for services of energy transmission organizations when delivering electricity and heat generated from renewable sources.

Targeted assistance to individual consumers for purchase of installations for use of renewable energy sources

Individual consumers of electricity and (or) heat energy (hereinafter referred to as "individual consumers") are individuals or legal entities that consume electric and / or heat energy from the facility for the use of renewable energy sources operating autonomously in non-electrified settlements and (or) settlements, where the centralized power supply is economically inexpedient.

Targeted assistance consists in the payment to individual consumers of fifty percent of the cost of facilities for use of renewable energy sources with a total capacity of not more than five kilowatts. This part of the cost is reimbursed after the commissioning of the facility for the use of renewable energy sources.

To receive targeted assistance, an individual consumer submits a number of documents to a specially created commission. The set of documents includes a copy of the contract for purchasing a facility of Kazakhstan production for use of renewable energy sources and an act on the acceptance of that facility into operation.[8]

An individual consumer who has received targeted assistance for the purchase of a facility for use of renewable energy sources has no right to sell electric and /or heat energy produced at this facility to other consumers.

Thus, public support for use of renewable energy sources includes incentive measures for both entities using renewable sources of energy for commercial purposes and for those who generate energy from these sources for domestic consumption.

These measures are an important direction in the formation of a "green economy" in Kazakhstan, which contributes not only to the rational use of minerals that are sources of fossil fuels, but also to the reduction of environmental pollution, as well as to the provision of electric and heat energy for residents of settlements in which centralized power supply is not available.

[1] Strategic Development Plan of the Republic of Kazakhstan until 2020 approved by the Decree of the Government of the Republic of Kazakhstan No. 922, dated 1 February 2010.

[2] A legal entity that carries out the centralized purchase and sale of electricity generated from renewable energy sources and supplied to the electric grid of the unified electric power system of the Republic of Kazakhstan.

[3] Opportunities for renewable energy in Kazakhstan.
<http://www.rfc.kegoc.kz/vozmozhnosti-vozobnovlyaemyx-istochnikov-energii-v-kazaxstane/>

[4] Article 284 of the Entrepreneurship Code of the Republic of Kazakhstan № 375-V 3PK, dated 29 October 2015.

[5] The monthly calculated indicator (MCI) is the amount of money that is determined by the Law "On the Republican Budget" for each year and is used to calculate taxes, penalties and other indicators. In order to distinguish investment priority projects from other ones, the size of the MCI that is valid as of the filing date of the application for investment preferences is used.

[6] Point 35 of the “List of Priority Activities for the Implementation of Investment Projects”, approved by the Decree of the Government of the Republic of Kazakhstan No. 13, dated 14 January 2016 “On Some Issues of Implementation of State Support for Investments”.

[7] Point 9 of the Rules for Determining the Tariff for the Support of Renewable Energy Sources approved by the Order of the Minister of Energy of the Republic of Kazakhstan No. 118, dated 20 February 2015.

[8] Point 5 of the Rules of Providing Targeted Assistance to Individual Consumers, approved by the Order of the Minister of Energy of the Republic of Kazakhstan No. 161, dated 28 November 2014.

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