

Use of agricultural
residues for bioenergy
25-26 September 2014
Kyiv, Ukraine

Practical legal aspects
for implementation of
bioenergy projects under “green”
tariff

- **Legislative incentives for development of bioenergy projects in Ukraine**
- **Rates of “green” tariff for electricity from bioenergy**
- **Rates change/decrease in the future**
- **Local content for “green” tariff projects**
- **Procedure and main requirements/conditions for getting “green” tariff (e.g. Danosha from agro residues)**



- **Strong international focus**
- **Actively involved into green energy legal environment**
- **IFC expert on “green” tariff mapping in Ukraine**
- **Legal expert and partner of Ukrainian Bioenergy Association and Ukrainian Wind Energy Association**
- **Practical experience of implementing bioenergy and renewable energy projects at all stages**

Tax incentives under the Tax Code

- exemption from import VAT and customs duties
- decrease of land tax for bioenergy power plants by 75%
- limits for rental payments for lands lease from state and municipal authorities by 3% of appraisal value
- exemption from CPT of profit from simultaneous production of electricity and heat and/or heat from biofuels till 2020

Heat generation tariff stimulation (since 1.10.14)

- if for commercial users – 90% of average price for heat from natural gas
- If for population – average price for heat from natural gas in a settlement
- up to 21% rate of return (in conflict with primary legislation)
- Regulation for state/municipally owned producers

Green Tariff (GT) mechanism



- All alternative energy sources, except for blast furnace and coke oven gas, and hydroelectric power plants over 10 MW
- However, only certain alternative energy sources have a legally guaranteed level of “green” tariff, including biogas and biomass (table below)
- For all other alternative energy sources, e.g. household wastes, e.g. coal bed methane, NERC sets “green” tariff at its discretion at substantiated level
 - a relatively low level

Categories eligible to GT	Rate of the tariff (€ / kW) depending on commissioning date				
	till 31.03.2013 inclusively	from 01.04.2013 till 31.12.2014	from 01.01.2015 till 31.12.2019	from 01.01.2020 till 31.12.2024	from 01.01.2025 till 31.12.2029
Electricity from biomass	0,12386	0,12386	0,11147	0,09908	0,0867
Electricity from biogas	-	0,12386	0,11147	0,09908	0,0867

- In the middle of 2009 the core legislation on the current feed-in tariff scheme (GT) was enacted
- As of beginning of August 2014 GT is established for 108 companies operating 190 power plants



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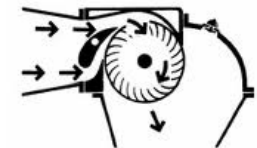
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Why not so much as it could be?!

- NERC approves minimal fixed GT rates only for bioenergy power plants using solely biomass/biogas!!!
 - Combined use of biomass/biogas and conventional energy sources make BPPs ineligible to minimal fixed GT rate for biogas regardless of biogas share

- There is no minimal fixed GT rate for biogas installations commissioned till 1.04.2013!!!



- Term «biomass»
 - silage, energy willow and other energy crops are not covered
 - only biodegradable component of wastes covered
- Biogas is a gas formed from biomass
- State Classifier on Wastes as a guidance
- **If you are using energy crops, you can't obtain GT!**



- GT rates are not tied to retail rates or average rates for producers of electricity
- They are fixed as of January 1, 2009 in EUR and linked to EUR/UAH exchange rate (if more than 10.86)
- The State guarantees GT application to commissioned power plants and purchase of all electricity produced by them



- Wholesale Electricity Market of Ukraine (WEM) represented by State Enterprise “Energorynok”
 - State guarantee of purchase of all electricity under GT
- Direct sales of electricity to consumers
 - Legislative limitations
 - Absence of economic and administrative incentives
- Changes of the mechanism of sales in the future
 - guaranteed purchaser
 - responsibility for imbalance
 - additional permit if installation ≥ 5 MW
 - expected to enter into force in 2017



- If a construction began in 2012 or later, the rates of the local content (LC) depends on the year of commissioning and shall be:
 - since 01.04.2013 till 01.07.2013, 15% (old calculation approach)
 - since 01.07.2013 (for biogas since 2014) - 30%
 - since 01.07.2014 (since 2015 for biogas) - 50%
- LC does not affect hydropower plants and installations of households but cover bioenergy installations
- NERC will itself determine Ukrainian content based on certificates of origin, legal documents, etc.



Elements of local content	Operations should be taken in Ukraine	Fixed share, %
Turbine	manufacturing	25
Boiler	manufacturing	35
Construction works	performance	40
Total		100



Elements of local content	Operations should be taken in Ukraine	Fixed share, %
Bioreactor for hydrolysis	manufacturing	35
Cogenerator	manufacturing	35
Construction works	performance	30
Total		100



According to the procedure on calculation of the LCR of the NERC

If developer has 100% of one of the element of Ukrainian origin from the table, it can use this element regardless of the value to fulfill the respective share from the table, e.g. in the case of biomass

- 100 of construction works by a Ukrainian EPC – 40%
- 100% of the turbine production by a Ukrainian manufacturer– 25 %

As a result, $\geq 50\%$ of LCR is fulfilled!!?

– **Practical problem!!!**

- most of the equipment is not produced in Ukraine, or produced not enough and won't be produced enough
- incorrect terminology
- non-exhaustive list of documents for LC

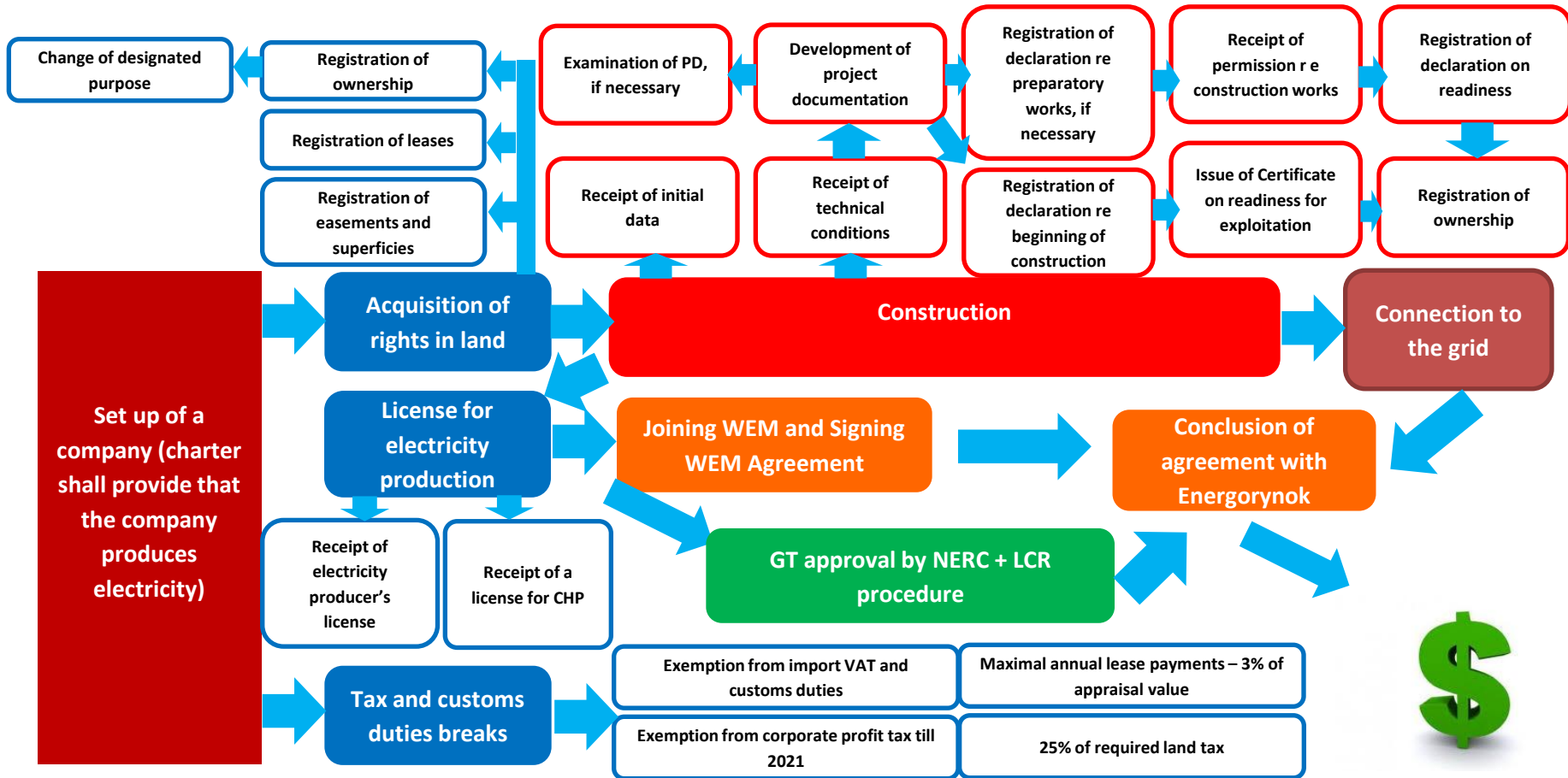


- Rates of GT shall be approved by NERC for each producer after filing the application and the required package of documents regarding the constructed and commissioned WF
- Term for passing a decision by NERC:
 - Consideration of documents package– 30 calendar days
 - Approval by NERC's meeting– 15 calendar days
- GT documentation in the respective NERC's Resolution
- You can ask for GT, License and LCR together!!!



- Set up of a company
- Electricity producer license
- LCR procedure
- Connection to the grid
- Participation in WEM and signing WEM Agreement
- Conclusion of agreement for sales of electricity with State Enterprise “Energorynok”
- Execution of documentation for power plants construction
 - documents on the use of land plots
 - project documentation
 - commissioning etc.





- **state guarantee**
- **local content requirement**
- **definition of "biomass"**
- **no possibility to combine the use of biomass/biogas and traditional energy sources**
- **CHP equipment may be only owned for CHP tariffs**
- **NERC successor**



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THANK YOU!