

Key legal obstacles for renewable energy development in Kazakhstan in 2018

Shaimerden Chikanayev

GRATA Law Firm

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WHY RENEWABLE ENERGY?

- Natural advantages of Kazakhstan (e.g. 3000 hours of solar radiation a year).
- General policy of Kazakhstan (e.g. Government of Kazakhstan declared that share of renewable energy in domestic electricity generation to rise to 30% by 2030 and 50% by 2050).
- Generally good legal framework (e.g. guaranteed offtake at auction prices for 15 years).
- The Eurasian Bank for Reconstruction and Development (EBRD) plans to invest approximately \$244.2 million in Kazakh renewable energy sources (RES) attracting private and international financial investment.

SMOKE AND MIRRORS?

- The largest wind and solar projects developed in Kazakhstan so far (e.g. the Yereymentau wind farm in north-central Kazakhstan and the Burnoye solar power plant in southern Kazakhstan) have been financed by Kazakh state companies and the EBRD.

Risks:

- Commercial investors (i.e. institutional investors which prioritize returns above all) will not come to Kazakhstan.
- Inconsistent governmental policy.

KEY LEGAL OBSTACLES

- Creditworthiness of the single offtaker is still questionable (i.e. Reserve Fund is only 3% of the FSC's annual expenses).
- Currency risk is not fully addressed (i.e. only 30% of annual indexation of auction prices relates to Tenge-foreign currency exchange rate changes).
- It is uncertain whether PPA standard form can be amended (i.e. makes it not bankable).
- It is uncertain whether investment preferences can be granted to RES projects as so-called “priority investment projects” (i.e. no tax preferences).



Shaimerden Chikanayev

Partner, GRATA Law Firm

Almaty, Kazakhstan

E-mail: schikanayev@gratanet.com

Mobile: +77017878020

