



RE projects implementation in Kazakhstan : Auction and Direct sales



RE projects implementation via auction

1. Application for participation in the auction
2. The auction winners are included into the list of energy producing organizations using RE.
3. Inclusion of the Auction Winners in the RE projects Siting Plan
4. Conclusion of the Power Purchase Agreement (PPA) for 20 years:
 - to the FSC;
 - to consumers through signed bilateral agreements.

The RE projects Siting plan

THE SITING PLAN IS FORMED ON
THE BASIS OF THE FOLLOWING
DATA AND APPROVED BY THE
AUTHORIZED BODY (MOE):

- target indicators for the development of the RES sector;
- a list of operating facilities for the use of RES, with an indication of the installed electric capacity within the zones and the type of facility for the use of RES;
- the maximum allowable capacity of RES facilities by the zones and types of facilities for the use of RES;
- the register of auction winners;
- projects for the construction of facilities for the use of RES of qualified conventional consumers.

Ways to secure the obligations of the energy producing company under the PPA with FSC:

Bid Bond

at the initial stage, when submitting an application for participation in the RE auction is to ensure that the winner will conclude the PPA with RFC on the terms and conditions stipulated by the Rules for organizing and conducting auction trading, and will provide a Performance Bond for the PPA execution.

Performance Bond

for the fulfillment of the terms of the PPA. In accordance with the auction and PPA conditions, the Seller shall provide the Buyer with a Performance Bond (often regarded as a financial security for the fulfillment of the terms of the Agreement) within 30 calendar days from the date of signing such an agreement. If the Seller violates this deadline, the PPA shall be terminated.

PPA with FSC



20-year PPAs at auction prices with the FSC for all RE starting from 1 January 2021;



Annual indexation of auction prices, beginning in the second year of generation, with 70% based on the national currency exchange rate to convertible currencies and 30% based on the consumer price index;

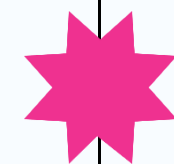
Power purchase under the bilateral agreements with the consumers (i)

Despite the fact that this option is stipulated under the legislation of Kazakhstan, on practice there are a lot of blank spaces when implementing it. For example, Kazakh legislation does not stipulate a standard bilateral private PPA, thus, the parties may use the free form PPA.

The counterparties of the bilateral private PPA are the following:



Solar power plant, and



Energy consumer.

Power purchase under the bilateral agreements with the consumers (ii)

The legislation of Kazakhstan does not stipulate a template of bilateral private PPA for sale of electric power.

Under the Electric Power Law, contracts for the purchase and sale of electric energy shall contain the following requirements:

- daily electricity consumption schedule;
 - the procedure for reserving electric power by energy-producing organizations;
 - terms and procedure for termination of the provision of relevant services in case of late payment under contracts
- Law of the Republic of Kazakhstan No. 588-II "On Electric Power Industry" dated July 9, 2004

Land plot obtaining

Via auction:

The local executive authorities of regions (Akimat) shall reserve land plots for the construction of RE facilities until the auction winners are given the land title, according to the Land Code of the Republic of Kazakhstan dated June 20, 2003, and shall send the relevant information to the Ministry of Energy of the Republic of Kazakhstan.

Direct sales:

Generally, the procedure of obtaining a land plot consists of 4 stages:

- Land selection;
- Obtaining of a permit from Akimat to use the land plot for design and survey work;
- Design and survey work; and
- Obtaining the land plot right.

GRID CONNECTION ARRANGEMENTS (I)

Power Generation scheme

shall be approved by the system operator (KEGOC JSC) with the relevant organization (transmission and/or generation) to the planned connection grids within.



Agreement on connection of the RE facility stipulates

that the transmission company shall provide the RE facility with access to the network by providing the connection point specified in the TS. This agreement is valid between the date of the technical specifications and the signing of the grid connection act. However, it will have a deadline for the latter, linked to the commissioning deadlines agreed in the PPA.



Grid connection arrangements (II)

- Technical specifications (TS) are based on the approved power dispatch scheme. It is issued by the connecting grid company and contains technical specifications (TS) for the connection to the network.

Note that the investor finances all activities required to obtain the TS. Its validity period is no less than the time needed for preliminary project studies, design and construction of the renewable energy facilities, as identified by current design and construction norms, and should not exceed 3 years.

Environmental Impact Assessment (EIA)

Conduction of the EIA will become mandatory only for enterprises activity of Category I;

- objects of Category II will be obliged to have a screening procedure and Category III to notification procedure, for objects of Category IV the conduction of the EIA is not required, and can be done voluntarily.
- Public participation will now be considered at every stage of the EIA. The role of the interested public when making decisions has been strengthened.
- Introduction of the Institute of Peer Review of the EIA: each stage of the EIA, from the submission of the application to the completion of the procedure, will be covered on the websites of the authorised ministry, as well as local municipalities and the media.

The categories of the enterprises activity are indicated in the Annex I to the Environmental Code.

In accordance with Article 67 of the Environmental Code the following steps are required to obtain the EIA:

1

Consideration of the application regarding the planned project to determine its compliance with the requirements of this Code, as well as screening the impact of the planned activity (except for the entities that are not stated under Schedule 1 section 1);

2

Determining the scope of the EIA;

3

Preparation of the report on possible impacts;

4

Assessing the quality of the report on possible impacts;

5

Making an opinion on the results of environmental impact assessment and its accounting;

6

Post-project analysis of the actual impact during the implementation of the activity, if the necessity to do so is determined in accordance with this code.

Obtaining Environmental Impact Assessment (EIA)