

Renewable Energy in Ukraine

Since the introduction of the feed-in tariff in Ukraine, the renewable energy sector has been growing every year. The positive growth trends of the sector intensified in 2017-2019. Thus, 2019 is likely to remain for some time the peak year in the number of investments and commissioned facilities of renewable energy power generation.

In 2020, RES electricity producers faced new challenges, primarily related to arrears in payment of the feed-in tariff by the state-owned Guaranteed Buyer, which began to accumulate from March 2020. Overall, in 2020, the Guaranteed Buyer paid only 63% of the projected feed-in tariff to RES electricity producers.

This situation could not but have had a negative effect on the pace of implementation renewable energy projects. In 2020, just 1.34 GW of generating capacity was put into operation, which is many times less than in 2019. Uncertainty in the market still has a negative effect on the pace of construction of new facilities. A little over 90 MW were put into operation in the first quarter of 2021.

Causes of a Difficult Situation

The electricity market of Ukraine switched to a new model from July 2019. Different models for funding the Guaranteed Buyer were planned during the transition: at the expense of work on the electricity market and sale of energy produced by NAEGC Energoatom; funding from the state, etc. However, for various reasons, these funding sources were ineffective.

Thus, instead of selling electricity on the market, NAEGC Energoatom was obliged to supply electricity to the population (to keep prices low for the population and to cover social tariffs). Funding from the state was also not provided in the agreed terms and the specified amounts.



Igor Dykunsyy,
LL.M., Managing Partner, DLF Attorneys-at-Law

Besides, the rapid development of renewable energy in Ukraine in 2017-2019 and the uncontrolled issuance of Technical Conditions have led to the commissioning of many facilities producing renewable energy. Thus, the amount of feed-in tariff payments to be made by the Guaranteed Buyer has also increased.

Reduction of feed-in tariff

In spring 2020, due to regular arrears in payment of the feed-in tariff, the state and major renewable energy producers began talks and consultations to resolve debt issues and reduce the financial burden on the Guaranteed Buyer.

After long-term negotiations on ways of overcoming the crisis, the Government of Ukraine and Ukrainian associations of renewable energy producers came to agreements on the basis of which the Law of Ukraine *On Amendments to Certain Laws of Ukraine on Improvement of Conditions of Support of Electricity Production from Alternative Energy Sources* was adopted, which came into effect on 1 August 2020.

The main amendments made by the Law:

- Reduced feed-in tariffs;
- Introduced liability for imbalances for RES producers. From January 2021, there is a partial liability of RES producers for imbalances – about 50%, and from 2022 it will be 100%;
- The possibility of financial support of the Guaranteed Buyer from the state budget in the amount of no less than 20% of projected electricity generation from renewable sources for the respective year;
- Clarified procedure for feed-in auctions;
- Determined the transmission system operator responsible for compensation for electricity lost due to the execution of operator commands to reduce and/or limit the load;
- Provided state guarantees regarding the invariability of legislation in force on the day of the Law's adoption for electricity producers under the feed-in tariff.

The feed-in tariff rates (in EUR) are currently as follows:

Type	Capacity, kW	Date of commissioning							
		01.01.2017 – 31.12.2019	01.01.2020 – 31.10.2020	01.11.20 – 31.12.20	01.01.2021 – 31.03.2021	01.04.21 – 31.12.21	01.01.2022 – 31.12.2022	01.01.2023 – 31.12.2024	01.01.2025 – 31.12.2029
Wind turbine for private household	≤600	0.0538	0.0504	0.0504	0.0494	0.0494	0.0483	0.0478	0.0441
	>600 – ≤2000	0.0628	0.0588	0.0588	0.0578	0.0578	0.0567	0.0557	0.0515
	>2000	0.0941				0.0882			0.0772
Biomass		0.1239			0.1239				0.1239
Biogas		0.1239			0.1239				0.1239
SPP	<1000	0.1390	0.1097	0.1097	0.1061	0.1061	0.1024	0.0987	0.0950
	≥1000	0.1277	0.1097						
	1000-75000			0.0788	0.0761	0.0435	0.0420	0.0405	0.0390
	>75000			0.0450	0.0435	0.0435	0.0420	0.0405	0.0390
Rooftop or facade SPP		0.1637	0.1228	0.1185	0.1185	0.1147	0.1147	0.1104	0.1066
Micro HPP		0.1745			0.1573				0.1395
Mini HPP		0.1395			0.1255				0.1115
Small HPP		0.1045			0.0942				0.0835
Geothermal energy		0.1502			0.1352				0.1201

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Our core customers are SMEs from various fields. We offer them tailor-made, economically viable solutions. We are also a reliable business partner for a number of listed corporations and their subsidiaries in Ukraine. We represent our clients in a wide range of industries: IT, engineering, agriculture, life sciences and healthcare, renewable energy, foodstuffs, pharmaceuticals and chemicals, management consulting as well as home appliances.

Our multilingual team is led by Igor Dykunsyy, LL.M., managing partner, who has over 15 years of experience in consulting foreign businesses. Most of our lawyers graduated from Ukrainian law universities and successfully continued their studies abroad, particularly in England and Germany. Our experts are held in high

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We have a close working relationship with various business associations in Ukraine. We also come recommended by an array of foreign embassies in Ukraine.

Profile

Address: IQ Business Centre,
13-15 Bolsunovska Street,
01014, Kyiv, Ukraine

Email: info@DLF.ua
Tel.: +380 44 384 24 54
Web-site: www.DLF.ua

The feed-in tariffs were reduced from 1 August 2020. The reduction of the feed-in tariff was actually carried out only for solar and wind power stations. Notably, feed-in tariffs were reduced not only for new RES electricity producers, but also for existing ones at that time.

The tariff limit for biogas/biomass has not been set. However, Part 3 of the Final and Transitional Provisions of the Law *On Amendments to Certain Laws of Ukraine on Improvement of Conditions of Support of Electricity Production from Alternative Energy Sources* stipulates that the feed-in tariff for producers of electricity from biomass and/or biogas is set exclusively for electricity generated by facilities commissioned before 1 January 2023.

After the reduction in the feed-in tariff for net energy producers, the situation with payment of the feed-in tariff has slightly improved. In the first quarter of 2021, the level of feed-in tariff payment by the Guaranteed Buyer was about 90% of planned payments. However, the arrears in payment of the feed-in tariff for 2020 are still due.

The feed-in tariff is fixed in EUR until the end of 2029 and is paid in the national currency. All generated electricity, except for volumes for personal needs, shall be paid for under the feed-in tariff (except for blast furnace and coke gas, and for hydro plants with a capacity of up to 10 MW). The amount of the feed-in tariff depends on the date when the electricity generation facility was commissioned into use. The Guaranteed Buyer is obliged to purchase "green" energy produced under the feed-in tariff and make full payment for the cost of electricity, regardless of the installed capacity or supply volume.

The use of equipment of Ukrainian origin by the investors is stimulated by the relevant premium to the feed-in tariff (throughout all term of its validity), if the electricity objects are commissioned by 31 December 2024. Therefore, if equipment of Ukrainian origin is used at least on the level of 30%, the premium to the feed-in tariff shall be 5%. If equipment of Ukrainian origin is used at least on the level of 50%, the premium to the feed-in tariff shall be 10%. If equipment of Ukrainian origin is used at least on the level of 70%, the premium to the feed-in tariff shall be 20%.



Yaroslav Anikeev,
Associate, Insolvency Administrator,
DLF Attorneys-at-Law

Feed-in Auctions

Those "green" energy producers who fail to put their facilities into operation on time and are unable to receive a feed-in tariff for produced electricity may participate in feed-in auctions and, in the event of winning an auction, sell the produced electricity on the agreed terms. The law on feed-in auctions was adopted in spring 2019, but it is still not functioning. According to information available, the first feed-in auctions in Ukraine will be held in summer 2021.

All wind power producers with an installed capacity of over 5 MW and solar power stations of over 1 MW shall take part in auctions.

There is also a clear starting price for feed-in auctions:

- for wind and solar power plants for feed-in auctions, held by 31 December 2024 – not more than 9 eurocents per 1 kW/h;
- for wind and solar power plants for feed-in auctions held from 1 January 2025 – not more than 8 eurocents per 1 kW/h;

- other types of renewable energy sources – not more than 12 eurocents per 1 kW/h.

The Government of Ukraine sets the annual quota and the schedule of auctions for each subsequent year.

The annual quota can:

- define separate areas (regions) for construction of renewable energy facilities;
- define the maximum values of the capacity of the electricity facility or the order of its construction (start-up complex), in respect of which the electricity producer can acquire the right for support at the relevant auction;
- propose land plots for the construction of renewable energy facilities with certain technical parameters and technical conditions for connection to the electricity grid;
- propose roofs and/or facades of buildings and other capital structures that can be leased for the construction of renewable energy facilities that produce electricity from solar power with certain technical parameters and technical conditions for connection to the grid.

Contracts concluded as a result of the feed-in auction will be valid for 20 years, which is a compelling condition, as the feed-in tariff is valid only until the end of 2029. The existing system of support via feed-in tariffs will also apply to "green" energy producers which commissioned or signed a preliminary agreement (prePPA) before 1 January 2020.