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Kyrgyzstan

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KALIKOVA & ASSOCIATES

GENERAL

1. What is the nature and importance of the renewable energy in your country?

In Kyrgyzstan, hydropower is the most common renewable energy source. More than 80% of all energy in the country is produced by the Toktogul cascade of hydropower plants (“HPPs”), built during the Soviet era. Kyrgyzstan’s hydropower sector has capacity to produce about 140 billion kWh per year. But today it produces not more than 10% of this amount. By the amount of electric power which can be produced by hydropower plants, Kyrgyzstan is ranked 3rd among CIS countries after Russia and Tajikistan. Other renewable energy sources (solar power, wind power, etc.) are practically not used in the republic.

Kyrgyz electric power grid consists of 15 HPPs with the total capacity of 2,950 MW. Also, there are 2 thermal power plants, thus, the total power capacity of the energy sector is 3680 MW.

Electric power sector produces about 3.9% of the gross domestic product (GDP) and 16% of the industrial production volume, 10% of the national budget revenues. Thus, electric energy sector has material impact on the economy of the country.

2. What is the definition and coverage of renewable energy under the relevant legislation?

The definition of renewable energy is given in the Law of the Kyrgyz Republic “On Renewable Energy Sources” of December 31, 2008 No. 283 (the “Law on Renewable Energy”). According to Article 3 of this Law, renewable energy is ecologically clean energy produced by renewable energy sources including renewable fuel.

Renewable energy sources include:

- energy of sun, earth, vacuum, wind, and water;
- energy of non-mineral and non-carbonic origin, energy of decomposition (fermentation) of biomass of any organic waste and/or materials; and
- energy of secondary heat (graduation towers, transformation substations, other industrial installations and aggregates, operation of which results in generation of secondary thermal energy).

REGULATION

3. How is the renewable energy sector regulated? What are the principal laws and regulations?

Energy sector is regulated by the Government of the Kyrgyz Republic and special authorized state body for energy. Principal laws and regulations governing renewable energy are: (i) the Law on Renewable Energy; (ii) the Law “On Energy” of October 30, 1996 No. 56; (iii) the Law “On Electric Energy” of January 28, 1997 No. 8; (iv) the Law “On Energy Saving” of July 7, 1998 No. 88; (v) the National Energy Program of the Kyrgyz

Republic for 2008-2010 and the Strategy of development of fuel and energy infrastructure until 2025, approved by Resolution of the Parliament of the Kyrgyz Republic of April 24, 2008 No. 346-IV; (vi) the Program for Development of Small and Medium Energy Sector in the Kyrgyz Republic until 2012, approved by Presidential Edict of October 14, 2008 No. 365.

4. What are the principal regulatory bodies in the renewable energy sector?

The principal regulatory bodies in the renewable energy sector are: (i) the Government; (ii) the Ministry of Energy as a special authorized body for energy, including renewable energy; (iii) formed by Presidential Edict of May 2, 2008 UP No. 155, the Directorate of the project on development of small and medium energy sector in the Kyrgyz Republic (the "Directorate") under the Central Agency of the Kyrgyz Republic for Development, Investments and Innovations. The Directorate is not a state body, but it is vested with the authority to attract investments to the new generating capacities and to develop non-traditional and alternative energy sources.

INCENTIVES

5. Are tax advantages available to renewable energy generation companies?

Kyrgyz law allows the granting to companies generating electric and thermal power using renewable energy sources, of incentives and privileges in the form of tax reduction, exemption from customs duties upon import and export of the equipment, installations and parts for renewable energy generation companies.

6. Is there a purchase guarantee given by the relevant legislation for the electricity generated by renewable energy companies?

Kyrgyz law provides that energy generated by renewable energy sources is subject to mandatory purchase by energy companies. Thus, there is a legislative guarantee of purchase of energy generated. In Kyrgyzstan, there are 4 energy companies: Severelectro OJCS, Vostokelectro OJSC, Oshelectro OJSC, and Jalalabadelectro OJSC. In all companies, except Severelectro OJSC, the majority shareholding is owned by the state. The Government of the Kyrgyz Republic has made a decision to sell the state shareholding in Vostokelectro OJSC, Oshelectro OJSC, and Jalalabadelectro OJSC and now is looking for investors.

7. Is there a minimum price guarantee given by the relevant legislation for the electricity generated by renewable energy companies?

Under Kyrgyz law, the state sets tariffs for energy generated by renewable energy sources in the amount ensuring recoupment of renewable energy projects within up to 8 years. The national tariff for electricity in the Kyrgyz Republic is KGS 1.5 per 1 kWh (with the exchange rate of the National Bank of the Kyrgyz Republic as of March 3, 2010 being KGS 44.7 per USD 1). Tariffs for electric and thermal power are set by the Ministry of Energy of the Kyrgyz Republic.

8. Do the renewable energy based power plants have priority for connection to the grid?

Kyrgyz law envisages guaranteed connection of small and medium HPPs to the grid.

9. Is there an incentive for domestic (local) manufacturing of equipment or materials used in the construction of renewable energy based power plants?

Kyrgyz law provides that the state economically supports the development and application of renewable energy sources. However, it does not provide incentives for domestic manufacturing of equipment or materials used in the construction of renewable energy based power plants. Economic incentives and privileges are provided to renewable energy generation companies (as described in Section 5 above).

10. What are the other incentives available to renewable energy generation companies?

Kyrgyz law sets additional privileges for companies generating electric and thermal

power using renewable energy sources by providing beneficial and targeted credits.

STATISTICS

11. What is the percentage of electricity generated based on each type of renewable energy source in the total generation of electricity at country scale?

As mentioned above, more than 80% of all electricity in the country is produced by the Toktogul HPPs cascade. The share of small and medium energy sector in the total volume of production does not exceed 0.5%. The use of other types of non-traditional renewable energy sources is insignificant and makes only 0.7% in the energy balance of the country.

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