



Energy of Nature

Project Brief

Project summary

Project objective: the state support of investment projects in the sphere of renewable energy.

Ukraine is interested in the development of this sector of energy engineering out of necessity for: the release from the dependence on the supplies of imported energy resources, urgent upgrade of equipment in the power sector, substantial improvement of the environmental situation in the country. Ukraine has all conditions enabling the investors to raise high returns on investments in this sector energy engineering. In this regard, the conditions for minimizing the investor's risks were created in Ukraine, specifically: the legislation sets forth the high ("green") tariffs till 2030 at which the state guarantees to purchase electricity produced by the power plants with the use of renewable energy sources (RES).

Important market opportunities

The demand for products of the power plants operating on RES - green electricity - is met by: the increase of electricity consumption due to the industrial-production growth in Ukraine; lack of sufficient reserves of gas and low heating value of coal in Ukraine; difficult environmental situation in most regions of the country. The guarantees of purchasing electricity generated from RES are set forth by the relevant laws of Ukraine adopted by the Verkhovna Rada in 2009-2010. All this allows the avoidance of risk connected with the lack of electricity sales.

Project concept and goal

The goal of this project is substantial increase of electricity generation in Ukraine due to the use of the renewable energy sources. The concept of the National Project "Energy of Nature" consists in attaining the goal by the creation of conditions (in addition to the existing ones) which ensure the investors' interest in investments in the development of the renewable energy of Ukraine.

Facilities of investments and their characteristics

The facilities of investments are the power plants operating on RES. Thus, the wind farms constructed in Ukraine on the territories featuring a high wind potential can generate electricity with capacity factor 35-40%, which is considerably higher than the corresponding average world and European indicators. The solar power plants provide the high cost-effectiveness due to the high level of solar radiation and number of solar days in most regions of Ukraine, as well as due to the very high tariff for electricity of the solar power plants. Owing to the availability of high energy potential of RES and high "green" tariffs for electricity in Ukraine, the corresponding investment projects are high yielding - the internal rate of return (IRR) is 15-20% and the payback period is 5-7 years.

At present the solar power plants with a total capacity of 87.5 MW and wind farms with a total capacity of 109 MW are connected to the power system in Ukraine.

Pilot project, volumes of investments

The investment projects need the following: EUR 40 million for construction of the 10 MW solar power plant and EUR 150 million for construction of the 100 MW wind farm. Today, Ukraine is developing this kind of projects having the different level of readiness - from front-end engineering substantiating the feasibility of the project to the stage at which engineering and developing are completed and the land issues are solved.



Advantages for investors

The investment projects of the development of renewable energy in Ukraine have the following advantages:

1. In April 2009 the Law came into force under which the state is obliged to purchase electricity generated from renewable energy sources at a special ("green") tariff. The clause stipulated in the Law provides for electricity of the power plants operating on RES the "green" tariffs which are ones of the highest tariffs in Europe. The fact that the Law is effective till 2030 inclusive and that the level of the tariff is pegged to the euro exchange rate withdraw the issue of risks connected with the decrease in the electricity purchase price. This very Law obliges the electricity supplying enterprises to ensure the connection of the RES-based power plants to the power system of Ukraine.
2. The Tax Code adopted at the end of 2010 provides for a substantial tax benefit – "for a term of 10 years starting from January 1, 2011, the energy enterprises' income from sale of electricity generated from renewable energy sources shall be exempted from taxation" provided that this income is used for the development of the production or loan repayment. Also, the Code stipulates the exempt of the imported equipment for production of electricity from renewable energy sources from taxes.
3. In July 2010 the Parliament of Ukraine adopted the Law "On Power Sector Lands and Legal Regime of Special Zones of Energy Facilities" which stipulates a considerable simplification of the procedure for allocating the lands for facilities which generate and transmit electricity.
4. The investigations conducted since 1994 by the National Academy of Sciences of Ukraine and within the framework of a number of international programs have shown that Ukraine has large territories with the high energy potential of RES. This minimizes the risk of error in the selection of a site for the power plant construction.
5. Ukraine has accumulated experience in designing, construction and operation of the power plants operating with the RES use.
6. In virtue of the fact that Ukraine was an industrial center of the former USSR the power system of Ukraine is rather developed. This facilitates and makes cheaper the integration of the power plants in the power system and ensures their proximity to electricity customers.

The National Project "Energy of Nature" is looking forward to cooperation with investors. We will realize the state support of your investment projects in the sphere of renewable energy of Ukraine which will provide the high yielding to these projects with minimum risks.

Contacts:

Vadim Tochenyi
Head of National Project "Energy of Nature"

7a, Tsytaelna Str., 01015, Kyiv
Tel.: +38 044 254 40 15, 254 40 11
Fax: +38 044 501 11 44
e-mail: v.tochenyi@ukrproject.gov.ua