

2020 FITs restructuring in Ukraine

Vitaliy Radchenko, CMS



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CMS Energy clients in Ukraine



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Current renewable energy market situation in Ukraine

Ukraine had attractive feed-in-tariffs (FIT):

- SPPs - 15.03 eurocents/kWh (2019) and 11.26 eurocents/kWh (2020)
- WPPs (>2MW) - 10.18 eurocents/kWh (2019) and 9.05 eurocents/kWh (2020-2024)

Significant growth of renewables up to 7 GW in May 2020 (12.7% of total installed capacity).

Consumer prices did not keep pace with FIT support, leading to a tariff deficit.

Deficit of the Offtaker estimated to be around EUR 0.86 billion in 2020.

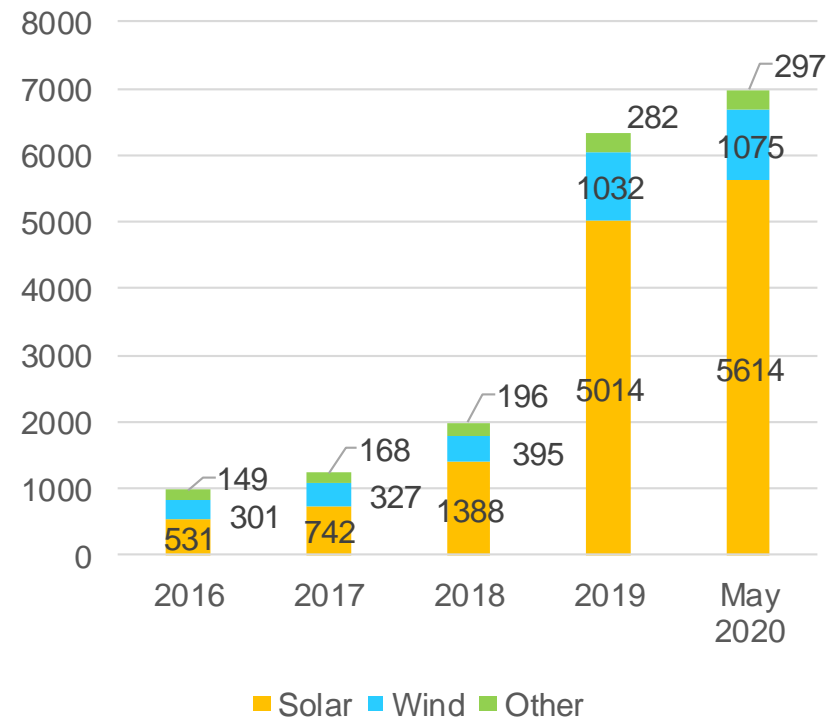
Government/TSO blame stability and balancing problems in energy system on RES

Curtailment of RES estimated by the TSO to be 1 billion kWh in 2020

Solutions proposed by Govt:

- Restructuring of the GT scheme
- Moving from the GT scheme to Auctions

RES installed capacity growth



Restructuring of the GT scheme

MOU Provisions

Negotiations between the RPPs and the Govt continued since autumn 2019.

On 10 June 2020 the RPPs and the Govt signed Memorandum of understanding regarding regulation of problematic issues in the sphere of renewable energy in Ukraine (MOU).

<p>Mandatory GT decrease without its prolongation</p>	<ul style="list-style-type: none"> • 15% reduction for all solar RPPs = or > 1MW commissioned between 1 July 2015 and 31 December 2019 • 10% reduction for all solar RPPs < 1 MW commissioned between 1 July 2015 and 31 December 2019 • 7.5% reduction for all wind RPPs with a single turbine capacity = or > 2MW commissioned between 1 July 2015 and 31 December 2019 • 2.5% reduction for all solar and wind RPPs commissioned after 1 January 2020 • 21.97 eurocents per 1 kWh threshold for all RPPs commissioned before 30 June 2015
<p>Commissioning of the RPPs under Pre-PPAs executed before 31 December 2019</p>	<ul style="list-style-type: none"> • solar RPPs must be commissioned by 31 July 2020 (instead of two years after execution of the Pre-PPA) to be eligible for GT • Timeframe for commissioning of wind RPPs remains the same (three years after execution of the Pre-PPA)
<p>Balancing responsibility</p>	<ul style="list-style-type: none"> • 50%* starting from 1 January 2021, and • 100%* starting from 1 January 2022; <p>* 5% threshold for solar and 10% threshold for wind</p>
<p>Debts of the Offtaker</p>	<p>Payment of all outstanding debts of the Offtaker (around EUR 0.3 billion) by 31 December 2021 (40% in the fourth quarter of 2020; and 15% in each quarter of 2021)</p>

Restructuring of the GT scheme

MOU Implementation in legislation

On 15 June 2020 draft law No. 3658 aimed at implementing MOU (Implementing Law) was registered in Ukrainian parliament
 On 23 June 2020 draft law No. 3658-1 alternative to the Implementing Law (Alternative Law) was registered in Ukrainian parliament

	Implementing Law (3658)	Alternative Law (3658-1) – Gerus draft law
Mandatory GT decrease without its prolongation		
Commissioned:	Solar RPPs	
Before 30 June 2015	reduction to 21.97 eurocents per 1 kWh for all solar RPPs	reduction to 24.55 eurocents per 1 kWh for all solar RPPs
Between 1 July 2015 and 31 December 2019	<ul style="list-style-type: none"> 15% reduction for all solar RPPs = or > 1MW 10% reduction for all solar RPPs < 1 MW 	<ul style="list-style-type: none"> 15% reduction for all solar RPPs = or > 1MW 10% reduction for all solar RPPs < 1 MW
After 1 January 2020	<ul style="list-style-type: none"> 2.5% reduction for all solar RPPs < 1 MW commissioned after 1 January 2020 2.5% reduction for all solar RPPs = or > 1 MW commissioned between 1 January 2020 and 31 July 2020 60% reduction for all solar RPPs = or > 1 MW commissioned after 1 August 2020 	<ul style="list-style-type: none"> 2.5% reduction for all solar RPPs < 1 MW commissioned after 1 January 2020 2.5% reduction for all solar RPPs between 1 MW and 5 MW commissioned between 1 January 2020 and 30 September 2020 20% reduction for all solar RPPs between 1 MW and 5 MW commissioned between 1 October 2020 and 30 June 2021 30% reduction for all solar RPPs = or > 5 MW commissioned between 1 October 2020 and 30 June 2021 60% reduction for all solar RPPs = or > 1 MW commissioned after 1 July 2021

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	Implementing Law (3658)	Alternative Law (3658-1) – Gerus draft law
Mandatory GT decrease without its prolongation		
Commissioned:	<i>Wind RPPs</i>	
Before 30 June 2015	-	7.5% reduction for all wind RPPs with a single turbine capacity = or > 2MW
Between 1 July 2015 and 31 December 2019	7.5% reduction for all wind RPPs with a single turbine capacity = or > 2MW	<ul style="list-style-type: none"> 7.5% reduction for all wind RPPs with a single turbine capacity = or > 2MW commissioned before 31 December 2019
After 1 January 2020	2.5% reduction for all wind RPPs	<ul style="list-style-type: none"> 2.5% reduction for all wind RPPs commissioned between 1 January 2020 and 31 December 2021 20% reduction for all wind RPPs commissioned after 1 January 2022

Restructuring of the GT scheme

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Other differences		
Stability clause	Change of law clause + guarantee not to change GT	Change of law clause deleted (only guarantee not to change GT remains)
Commissioning of the RPPs under Pre-PPAs executed before 31 December 2019	Solar RPPs can still benefit from a reduced GT after 31 July 2020	
Balancing	New balancing responsibilities are applicable only to all RPPs = or > 1MW	
Eligibility for GT	Eligibility of wind RPPs with up to three wind turbines (irrespective of their capacity) for the GT excluded	

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