

Incentives of the Alternative Energy in Ukraine

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BEITEN BURKHARDT

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I. Overview Energy Market

Classic Energy Sources:

- ✓ Gas: 41%
- ✓ Oil: 19%
- ✓ Coal: 19%

* According to the Atlas of Energy Potential of Ukraine by NASU

II. Incentives of Alternative Energies

Main incentives:

- ✓ Green Tariff;
- ✓ Import Incentives;
- ✓ Tax Incentives;
- ✓ Land Preferences;
- ✓ Grid Connection and Mandatory Electricity Purchase.

III. Green Tariff

Green Tariff

- ✓ Green Tariff is applicable to electricity from alternative energy;
- ✓ Alternative energy is electricity generated at 50% minimum share from alternative energy sources (Law „On alternative energy sources“);
- ✓ The minimum Green Tariff is guaranteed in Euro;
- ✓ Green Tariff is granted by the regulatory state authority;
- ✓ Green Tariff is granted, if certain criteria are met.

III. Green Tariff

Green Tariff

Green Tariff is applicable if the power is produced from:

- ✓ Wind
- ✓ Solar
- ✓ Biomass
- ✓ Water (only small hydro plants up to 10 MW)

III. Green Tariff

Green Tariff

- ✓ The minimum Green Tariff is fixed by law. The state regulator (NKRE) defines thereby the exact Green Tariff based on a formula.
- ✓ In November 2011 the minimum tariff amounted to:
 - 124,54 kopejka for wind energy from wind turbines over 2 MW (approx. 11,6 Eurocents);
 - 512,38 kopejka for solar on the land (approx. 47,9 Eurocents) and 469,68 kopejka on the roofs until 100 kW (43,9 Eurocents);
 - 85,39 kopejka for hydro (approx. 8 Eurocents);
 - 136,4 kopejka for biomass (approx. 12,6 Eurocents);

III. Green Tariff

Green Tariff

- ✓ Green Tariff is set until 1 January 2030 and decreases as follows:
 - from 2014 – for 10%,
 - from 2019 – for 20%, and
 - from 2024 – for 30%.

- ✓ Green Tariff applies if the local content rules are met, namely:
 - from January 2012 – 15%,
 - from January 2013 – 30%,
 - from January 2014 – 50%.

Additional local content requirement for solar is:

from January 2013 – 30% in the solar modules production,

from January 2014 – 50% in the solar modules production.

IV. Import Incentives

VAT and Customs Duty Exemption

- ✓ Import of equipment that runs with non-conventional or renewable energy, equipment and materials for energy saving, equipment and materials for manufacturing alternative energy sources, if the production is used for its own manufacturing purposes and no other similar products are produced in Ukraine are exempted from VAT and customs duties;
- ✓ The exemption is also applicable to equipment that produces the abovementioned production;
- ✓ The list of the exempted units is approved by the Cabinet of Ministers.

V. Tax Incentives

Exempted from Corporate Profit Tax are:

- ✓ Profits gained within the territory of Ukraine from sale of own products such as:
 - Equipment that runs with non-conventional or renewable energy;
 - Equipment and materials for energy saving;
 - Equipment for production of alternative fuel, if the equipment is self-produced.
- ✓ The list of the equipment is approved by the Cabinet of Ministers.
- ✓ The exempted tax must be used for “increase of production volumes”.
- ✓ Exempted is 80% of income.

V. Tax Incentives

Exempted from Corporate Profit Tax are:

- ✓ Profits received from the trade with electricity generated from alternative energy sources.
- ✓ The exemptions apply until 1 January 2021.

V. Tax Incentives

Land tax

- ✓ The land tax for land plots used for the production of electricity from alternative energy sources is reduced – only 25% of the applicable land tax is payable;
- ✓ The annual lease payments for communal or state land if it is leased for production of electricity from alternative energy sources may not exceed 3% of the normative value of the leased land.

VI. Land Preferences

- ✓ Direct purchase of state and communal land for energy production purposes (no auction applicable)
- ✓ Direct securing of other rights (lease, easement, superficies) for energy production purposes (no auction applicable)
- ✓ Land for energy facilities may be withdrawn/bought out from the owners via courts
- ✓ Agricultural land, sale of which is currently prohibited, may be purchased for energy production purposes within the procedure for buyout of land for social needs
- ✓ Land necessary for the infrastructure of the power plant may be secured without changing the land designation / land category

VII. Grid Access and Mandatory Power Purchase

- ✓ The producers of electricity from alternative energy sources have the statutory right to request the grid connection.
- ✓ Ukraine guarantees the purchase of all the energy produced from alternative energy sources.

VIII. Main Difficulties

- ✓ No prequalification for the Green Tariff
- ✓ No specific rules for the definition of local content requirements to be met for the receipt of Green Tariff
- ✓ No specific regulations on technical requirements for grid connection
- ✓ Difficult procedures for securing the agricultural land

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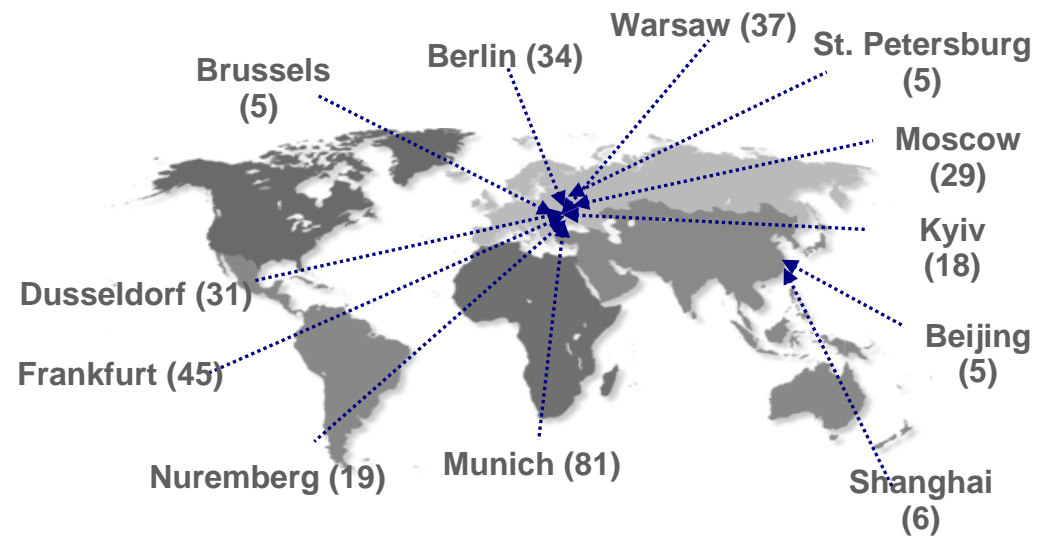
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BEITEN BURKHARDT KYIV

- ✓ Established in April 2004
- ✓ Experienced Ukrainian and German lawyers and tax advisers (18 lawyers)
- ✓ Support for international projects by project-oriented and interdisciplinary expert teams
- ✓ Providing legal services to more than 400 clients since opening



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Thank you for your attention!