

Renewables Readiness Assessment for Azerbaijan

Panel discussion: Renewables in Azerbaijan – Status and Challenges













Scene setting presentation:

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Outline

- 1. Introduction
- 2. Overview of key topics for discussion:

Institutional, policy and regulatory

frameworks

Electricity tariffs

PPAs

Renewable energy financing

Grid Connection

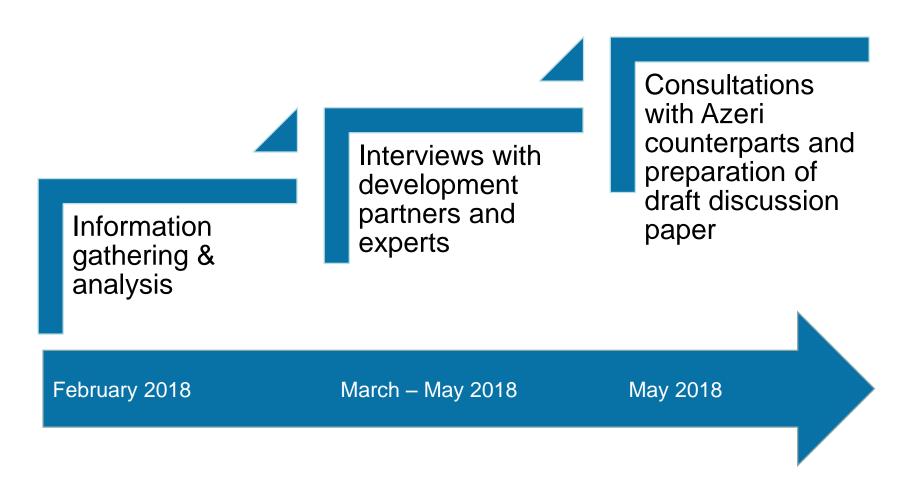
Technical Knowledge and Capacity

3. Panel Discussion





Discussion paper: Overview of preparation process





1-Institutional, policy and regulatory frameworks

2-Electricity tariffs

3-PPAs

4-Renewable energy financing

5-Grid connection

6-Technical knowledge and capacity



Legislative Framework

 Lack of a comprehensive law on renewable energy and related secondary legislations

Action Plan on renewable energy development

 Lack of comprehensive approach outlining action plan for achieving RE targets

Policy Support Mechanisms

- Not attractive for private investors
- Need to enable more attractive business case



Permitting Procedure

- Missing one-stop shop mechanism for larger producers ("ASAN service" – only less than 150 kW)
- Complicated procedure

Institutional Setup

 Complexity in roles and responsibilities of the involved institutions and bodies



Tariff setting methodology

 Electricity regulated with all state regulated tariffs such as public utilities (electricity, water, gas, district heating), city passengers transport (bus, metro).

Tariff attractiveness

- Electricity tariffs in general remain low
- Current tariff applicable to renewable energy (5 AZN or 2.94 USD cent to 5.7 AZN or 3.35 USD cent), is not attractive for investors
- Denominated in local currency



Renewable Energy Financing

- High interest rates
- Demanding securities requirements
- Banks are generally reluctant to finance RE projects

Power purchasing agreements

- Additional layer of insecurity to RE projects
- Increased risk for private sector developers and investors
- Challenging bankability of projects



Grid Connection

- NO grid code so lack of echnical standards
- High costs of grid connection
- Foreign investors concerned

Technical Knowledge and Capacity

- Technical, finance, policy and project personnel
- General awareness about benefits of RE

Summary



- 6 Key areas for discussion:
- 1. Institutional, policy
- & regulatory frameworks
- 2. Electricity tariffs
- 3. PPAs
- 4. Renewable energy financing
- 5. Grid connection
- 6. Technical knowledge & capacity

Questions for you:

- 1. Are all issues covered?
- 2. Do you have comments or suggestions?
- 3. Any other remarks in relation to RE market development?



Renewables in Azerbaijan

Status and Challenges





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