

## Main provisions of the Renewable Auction Law of Ukraine (2712-VIII dated 25.04.2019) signed by the President

| Issue   | Provisions of the Renewable Auction Law  |
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| <b>SECTION 1. AUCTIONS</b>                                  |  |
| <b>Date of new support scheme introduction</b>              | 01 July 2019   |
| <b>Pilot auctions</b>                                       | To conduct a pilot auction during 6 months from the effective date of the Law; on or before 31 December 2019. The Cabinet of Ministers of Ukraine decides on the quota size for the pilot auction.   |
| <b>Annual auctions</b>                                      | Annual auctions from 01 January 2020   |
| <b>Auction frequency</b>                                    | 2 times a year with deadlines on or before 01 April and 01 October   |
| <b>Entities obliged to participate in the auctions</b>      | WPPs with the installed capacity > 5 MW (or three wind turbines irrespective of the installed capacity)<br>SPPs with the installed capacity > 1 MW   |
| <b>Participation in auctions on a voluntary basis</b>       | All other RES types (excluding WPPs, SPPs)   |
| <b>Support for the successful bidder</b>                    | 20 years   |
| <b>Quota size - approving authority, approval procedure</b> | Annual quota size shall be approved by the Cabinet of Ministers of Ukraine.<br>The Ministry of Energy and Coal Mining of Ukraine shall prepare submission on a quota size based on proposals of the transmission system operator and the State Agency on Energy Efficiency and Energy Saving of Ukraine. |
| <b>Allocation of annual quota by RES types</b>              | Annual quota is allocated by shares by separate RES types with following minimum level: <ul style="list-style-type: none"> <li>• for wind – not less than 15%</li> </ul>   |

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|  | <ul style="list-style-type: none"> <li>• for solar – not less than 15%</li> <li>• for other RES types (biomass, biogas, hydro-, geothermal) – not less than 15%</li> </ul> <p>During the auction, RES competition is ensured within these groups.</p>   |
| <b>Quota planning period</b>   | <p>Quotas shall be set annually for 5 years.</p> <p>The Cabinet of Ministers of Ukraine is entitled to define separate auctions to offer to investors the land plots with the Technical conditions for grid connection, special requirements for technologies (RES type) to be constructed</p>  |
| <b>Auction platform</b>  | Prozorro electronic auction platform  |
| <b>Auction design</b>  | <p>One-stage sealed-bid auction. The bidders shall submit closed bids containing the technical bid (capacity) and the price bid (electricity price per 1 kilowatt hour).</p> <p>The successful bidders are selected by the results of simultaneous opening of envelopes with and evaluation of technical and price bids. Price is the only criterion to select a successful bidder.</p> |
| <b>Auction competition</b>   | <p>Competition is a mandatory condition to conduct an auction.</p> <p>Capacity for which the bidders shall obtain the right for the support cannot exceed 80% of the total capacity offered by all bidders</p>  |
| <b>Auction ceiling price</b>   | <p>“Green” tariff for corresponding RES technology (WPP, SPP) as of the auction date</p> <p>As for other RES types (biomass, biogas, hydro, geothermal), auction ceiling price cannot exceed the “green” tariff for biomass as of 01.01.2020.</p>   |
| <b>Measures to prevent from high concentration in the RES market</b> | The maximum share of the annual quota to be awarded to one bidder with other related parties at two auctions (per year) shall not exceed 25%  |
| <b>Bidders qualification criteria</b>                                | <p>Requirements are as follows:</p> <ul style="list-style-type: none"> <li>- confirmation of a right for land ownership/use</li> <li>- concluded grid connection agreement for the facility</li> </ul>  |

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|  | <ul style="list-style-type: none"> <li>- disclosure of beneficial owners, information about management and related parties</li> <li>- extract from the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations of Ukraine</li> <li>- provision of a bid bond</li> </ul>   |
| <b>Bid bond</b>  | <p>EUR 5/1 kW to participate in the auction</p> <p>EUR 15/1 kW to be provided in case of auction winning as the guarantee of contractual obligation fulfilment. In addition, the bid bond for participation in the auction will be refunded.</p>  |
| <b>Contractual structure</b>   | <p>The Guaranteed Buyer undertakes to buy electricity from the producer at an auction price under the Power Purchase Agreement.</p>   |
| <b>Local content surcharge</b>   | <p>Surcharge shall be applied to the auction price.</p> <p>Surcharge rate shall correspond to the current Law (5% and 10%)</p>  |
| <b>Responsibility for imbalances</b>   | <p>Full responsibility after recognition of the intra-day market to be liquid (the Regulator shall decide on liquidity); from 2024 by latest.</p>   |
| <b>SECTION 2. "GREEN" TARIFF</b>   |   |
| <b>Final date to sign a pre-PPA to complete the launched RES projects using the "green" tariff scheme (regardless of the project size)</b> | <p>By 31 December 2019.</p> <p>Terms and conditions for the pre-PPA conclusion:</p> <ul style="list-style-type: none"> <li>• confirmed right for land ownership/use;</li> <li>• concluded grid connection agreement for the facility;</li> <li>• construction permit.</li> </ul> <p>Terms and conditions to obtain the "green" tariff: commissioning of the SPP facility during 2 years from the date of pre-PPA signing and of all other RES facilities during 3 years from the date of pre-PPA signing.</p> <p>The "green" tariff rate is conditional on the facility commissioning date.</p> |
| <b>"Green" tariff term</b>   | <p>"Green" tariff is valid until 2030 only</p>  |

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| "Green" tariffs for SPPs   | <b>Decrease for SPPs</b> in 2020 is 25% with a further decrease by 2.5% annually during 3 years.   |
| "Green" tariffs for WPPs   | <b>Decrease for WPPs</b> in 2020 <ul style="list-style-type: none"> <li>– for turbines with the installed capacity exceeding 2 MW - decrease by 10% (without further annual decrease)</li> <li>– for turbines up to 600 kW, from 600 kW to 2,000 kW - decrease by 10% (with a further decrease by 1.5% annually during 3 years)</li> </ul>   |
| "Green" tariffs for biomass, biogas  | Current "green" tariff shall be valid during 2020-2030   |
| "Green" tariffs for micro-, mini-, small HPPs, and geothermal facilities   | 10% decrease of the "green" tariff in 2020   |
| <b>Simplified procedure for the "green" tariff setting (without obtaining an electricity generation license)</b> | Simplified procedure for the "green" tariff setting (without obtaining a license for solar and wind power generation, without individual setting of the "green" tariff) shall cover the following: <ul style="list-style-type: none"> <li>• Households with up to 50 kW generating facilities (wind, solar, combined wind-solar). It is provided under condition of installation of solar panels on roofs, facades of buildings and other capital structures. Such consumers shall be in contractual relations with the universal service provider</li> <li>• Other consumers with up to 150 kW generating facilities (wind, solar, combined wind-solar, biomass, biogas, micro HPPs, geothermal). It is provided under condition of installation of solar panels on roofs, facades of buildings and other capital structures. Such consumers shall be in contractual relations with the Guaranteed Buyer</li> </ul> |
| <b>Local content surcharge</b>   | Rate shall correspond to the current Law (10% maximum at 50+% local content)   |
| <b>Responsibility for imbalances</b>   | Full responsibility after recognition of the intra-day market to be liquid (the Regulator shall decide on liquidity); from 2024 by latest  |
| <b>SECTION 3. NEW PROVISIONS</b>   |  |
| <b>Term of Technical Conditions for the grid connection</b>  | <b>Term is set for the technical conditions</b> (currently, the technical conditions have no fixed term).<br><b>Technical Conditions shall be valid for:</b><br>2 years – for SPPs   |

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|  | <p>3 years – for other RES types.</p> <p>Technical Conditions issued to business entities having won the support by auction outcomes shall be valid for the term of fulfilment of such entities’ obligations for the construction and commissioning of the facilities (2 years for the SPPs and 3 years for other RES).</p> <p><b>Technical conditions issued before the Law effective date shall be valid for:</b></p> <p>2 years – for SPPs</p> <p>3 years – for other RES types.</p> <p>Technical Conditions issued to business entities having won the support by auction outcomes shall be valid for the term of fulfilment of such entities’ obligations for the construction and commissioning of the facilities (2 years for the SPPs and 3 years for other RES)</p> |
| <p><b>Remedy for the foreign investments</b></p> | <p>The Guaranteed Buyer shall include an arbitration clause in the PPAs at the “green” tariff and within auction support system (upon request of the investor).</p> <p>The condition for an arbitration clause is as follows: RES producers shall make contributions to the account of the Guaranteed Buyer for the latter to establish a special (target) fund to cover its arbitration costs.</p> <p>The amount of contributions is determined by the Regulator as part of the net income of the payer of contributions from its electricity generation activity but not more than 1% of net income</p>  |