



ELECTRICITY

INDUSTRY AND LEGAL UPDATE

KALIKOVA & ASSOCIATES

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Industry Update

The working group is formed to draft legislation on renewable, small-scale hydropower and other energy sector, greenenergy.kg reports

With support of the UNDP-GEF Small-scale HPP Project in Kyrgyzstan, the working group is formed to draft regulatory acts in the area of renewable energy, small-scale HPP and energy sector.

According to the manager of this project, E. Bogombaev, the working group is coordinated by the Ministry of Energy and Industry of the Kyrgyz Republic.

The purpose of this group is to form a regulatory framework for promoting market relations in energy sector and improving investment climate in the Kyrgyz renewable energy sector.

The working group comprises representatives from ministries, agencies, NGOs, and private sector. At present, the work is going on to make an action plan for 2012.

Experts of Europe and Asia will come to Kyrgyzstan to attend International Forum on "Energy for Sustainable Development" to be held on September 12-14, 2012, greenenergy.kg reports

The Third International Sustainable Energy Forum will be held at the Issykul Lake, Kyrgyzstan on September 12 -14, 2012. The

Legal Update

Ministry of Energy and Industry of Kyrgyz Republic developed draft of Energy Development Strategy for 2012-2017

The Ministry of Energy and Industry of the Kyrgyz Republic developed a draft of the Energy Development Strategy for 2012-2017.

The Strategy addresses the following key problems faced by the electric power industry in the Kyrgyz Republic:

- ineffective and non-transparent management of the industry due to unclear functions of various authorities and big dependence of the authority controlling the current operation of energy companies and the authority regulating the power industry on other public authorities and due to imperfect corporate governance;
- high commercial losses caused by theft, fraud and non-payment of bills;
- high technological losses and reduced safety of electricity supply to consumers (high level of unplanned electricity cut-offs), caused by wearing out of stations, installations and equipment due to lack of investment into reconstruction and replacement of distributing companies over the last 20 years;
- financial insufficiency of companies caused by tariffs below cost recovery and low performance indicators.

Priority objectives of the program are:

- (1) improvement of public regulation of energy sector;
- (2) improvement of management in energy companies, raising their transparency;
- (3) growth of production volumes, increased stability of power supply, effective implementation of current projects and programs.

official title of the Forum is "Energy for Sustainable Development". The forum participants will discuss the issues of capacity-building in the area of energy efficiency and access to "clean energy" in Central Asia and neighboring regions.

The forum is organized by the Government of the Kyrgyz Republic, UN Economic Commission for Europe (UNECE), Economic and Social Commission for Asia and the Pacific (ESCAP) and UN Development Program (UNDP). This forum is a follow-up to the International Energy Efficiency Forums held in Astana, Kazakhstan in September 2010 and in Dushanbe, Tajikistan in September 2011.

The UN General Assembly declared 2012 as the International Year of Sustainable Energy for All. It is also declared as the year of the UN Conference on Sustainable Development («Rio+20»). Energy sustainability, accessibility and safety are often the central subjects for discussions of sustainable development. Energy efficiency in buildings has the potential to create many new jobs and to involve local interested parties and private sector. Public energy subsidies are often wasteful and inefficient as a political instrument. Therefore, instead of the public subsidies the energy sector must be guided by the market-based pricing strategy, and these prices must include costs of environmental safety of energy companies. Also, it is important to provide financial support to the most vulnerable groups of people to address the negative consequences of eliminating public subsidies in the energy sector. Priority must be given to raising efficiency in the electricity use, from the source of energy to the use of energy. Also priority must be given to reducing hydrocarbons in the energy sector, including by encouraging the use of renewable energy sources.

The forum will focus on the following topics:

- (a) The sustainable development of energy in Central Asia and neighboring countries: current state, barriers and opportunities. Reform policies, role of the government and public sector in creating favorable conditions for promoting sustainable energy.
- (b) Energy efficiency (EE) in buildings and housing sector: problems, success stories and opportunities.
- (c) Investments in the area of energy efficiency and clean energy sources: ways of financing energy efficiency and clean energy projects.
- (d) Role of private sector in the development of clean energy sources in Central Asia and neighboring countries.

The format of the Forum will include meetings, roundtables, seminars, and visiting energy facilities. The main reports and presentations

For the purposes of ensuring increase in volumes of electric power production, the Strategy proposes the commissioning of the second starting complex of the Kambarata HPP-2 (120 MW), the completion of a feasibility study for the construction of the Kambarata HPP (1900 MW), the construction of the Upper Naryn Cascade of HPPs (4 HPPs), the development of a feasibility study for the construction of a thermal power plant (600 - 1200 MW) on the Kara-Keche deposit and the construction of 4 small-scale HPPs.

Also, in the framework of the activities for improving the quality of personnel of energy enterprises, it is proposed to hire managerial staff solely on a competitive basis, to sign individual contracts with each employee, making performance results linked to the reward for energy companies' compliance with the established parameters of enterprise development (profit, growth of assets, investment, expansion of enterprise's sales, increase in proceeds and reduction in losses, etc.), and to develop a mechanism of vertical mobility of employees of energy companies through regular attestation and performance appraisal.

The KR Government Resolution «On Measures to Organize Executive Branch Reform» of February 10, 2012 N 87

According to the said resolution, from September 1, 2012 the Department for regulation of fuel and energy sector under the Ministry of Energy and Industry of the Kyrgyz Republic became part of the Ministry of Economy and Antimonopoly Policy of the Kyrgyz Republic.

The relevant committee of the Kyrgyz Parliament approved on second reading the amendments to Kyrgyz Renewable Energy Law

On March 27, 2012, the Kyrgyz Parliament's Committee on economic sectors development unanimously approved on second reading the bill proposing amendments to Kyrgyz Renewable Energy Law which introduce special coefficients on tariffs for electricity generated from renewable energy. This bill was drafted in the framework of the UNDP-GEF Project with

will be given by the Government of the Kyrgyz Republic, the UN, public officials, energy efficiency experts, and representatives of international finance institutions, commercial banks and investment companies. At the roundtables, the discussion will be held among representatives of private companies, drafters of energy bills and public officials.

From September 2012, tariff regulation in energy sector will become function of Ministry of Economy, minister T. Sariev announced

On May 18, at the working meeting with the heads of the public controlling bodies the minister of economy and antimonopoly policy of the Kyrgyz Republic, Temir Sariev, announced that from September 2012 the tariff regulation would become the function of his ministry.

The department for regulation of the fuel and energy sector under the Ministry of energy and industry of the Kyrgyz Republic will become the part of the Ministry of economy and antimonopoly policy of the Kyrgyz Republic from September 1, 2012.

China and Kyrgyzstan signed agreements on 4 projects, including Datka-Kemin power lines construction project

A ceremony of signing a number of bilateral documents between Kyrgyzstan and China took place in the Hebei House of People's Representatives on June 5, 2012. In particular, there was signed a credit agreement between the Government of Kyrgyzstan and the Government of the PRC on the construction of Datka-Kemin power line (500 kV) and Kemin small station (500 kV). On behalf of the Kyrgyz side, the document was signed by the deputy minister of finance of the Kyrgyz Republic, Mirlan Baigonchokov, on behalf of the Chinese side, by the chairman of Eximbank.

According to the preliminary information, 35% of the funds allocated for the construction of the Datka-Kemin power line will be provided to Kyrgyzstan as grant and 65% as credit for a term of 9 years.

the participation of NGOs, experts, representatives of business community and the Ministry of Energy and Industry of the Kyrgyz Republic.

It is expected that the introduction of special coefficients on tariffs for electricity generated from renewable energy will make the Kyrgyz energy sector more attractive for investment and energy system more diversified, will increase its competitiveness, stability and safety, including by increasing private business participation in generation and supply of energy of various kinds.

Besides, the development of renewable energy sources will positively impact the environment of Kyrgyzstan, since it is renewable energy sources (solar batteries, photoelectric stations using solar energy, wind installations using wind energy, hydropower plants using stream energy of mountain rivers) which are inexhaustible (renewable) sources of energy and which promote less pollution and more balanced environmental development.

Law Amending Kyrgyz Energy Law of May 18, 2012

The said law incorporates amendments to the Energy Law, in particular, the requirement that tariffs for electricity should be approved by the State Department for regulation of fuel and energy sector under the Ministry of Energy and Industry of the Kyrgyz Republic with the consent of the Jogorku Kenesh of the Kyrgyz Republic.

It should be noted that in this case the legislative intent is to harmonize regulatory acts since a similar provision has been already included in the Kyrgyz Electric Energy Law and has been effective since June 17, 2011. We remind that until June 17, 2011, tariffs for electricity were approved by the State Department for regulation of fuel and energy sector under the Ministry of Energy and Industry of the Kyrgyz Republic without consent of the Jogorku Kenesh.

Kyrgyz Government Resolution of May 15, 2012 N 295 "On bills proposing amendments to Kyrgyz Energy Law, Electric Energy Law, and Energy Saving Law "

The representatives of the UNDP-GEF Small-scale HPP Project met with the specialists of the Icelandic company, Verkis, specializing in the design and planning of hydro and geothermal power plants on May 29, 2012 in Bishkek

At the meeting, the specialists from Verkis shared experience of Iceland in hydro power sector and use of renewable energy sources. This sector was actively developing in Iceland in the recent 15-20 years and today practically all electric power in Iceland is generated from renewable energy, with the hydropower sector reaching 75.5% and geothermal power sector 24.5% of the country's total energy. Thus, the country attained energy independence from import of coal, oil products and gas for electric power generation and heat supply. Hydrocarbon fuel is used only for transport vehicles. Iceland occupies the first place in the world for amount of electricity per capita. That said all HPPs and geothermal power plants (GeoPPs) constructed in Iceland were designed and planned by Verkis.

Also, at the meeting in Bishkek the construction of small- and medium-scale HPPs in Kyrgyzstan and the UNDP's activities in this area were discussed. The parties came to conclusion that the construction of small and medium-scale HPPs will promote environmental sustainability of Kyrgyzstan and will improve the well-being of its citizens. The specialists from Verkis expressed their willingness to provide services to the customers of the projects in Kyrgyzstan.

It should be noted that Verkis, founded in 193, is the oldest project and consulting company in Iceland. The main directions of the company's activity are the design and planning of hydropower plants, geothermal power plants, and aluminum enterprises. The company's services include the development of concept and feasibility study for an HPP project, environmental impact assessment, development of the design, tender and working documentation, author's supervision over the HPP construction, commissioning of the facility and customer's operations consulting.

The bills approved by the Government propose amendments to Kyrgyz Energy Law, Electric Energy Law and Energy Saving Law within the framework of the ongoing administrative reform. In particular, the bills propose establishing two energy regulatory authorities:

- (1) the responsible government agency for energy policy whose functions will include policy-making and energy regulation, and
- (2) the responsible government agency for energy supervision and control. Thus, it is proposed to establish two separate agencies with different competencies instead of one public authority for energy existing today.

That said the competencies of the responsible government agency for energy policy will include the issuance of licenses to generate, transfer, distribute, and sell electric or thermal energy and natural gas and approval of tariffs for thermal energy and natural gas. Whereas the responsible government agency for energy supervision and control will be competent to organize and maintain technical supervision over efficient use of fuel and energy resources, and to take measures to ensure access for producers of electric and thermal energy to the energy supplying organization networks and their compliance with necessary technical and other network operation rules.



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