



ELECTRICITY

INDUSTRY AND LEGAL UPDATE

KALIKOVA & ASSOCIATES

Information for effective business solutions

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Industry Update

51.4% shareholding in Naiman HPP company and 100% shareholding in Karakul HPP company transferred to the Ministry of State Property of the Kyrgyz Republic as payments in lieu of dividends

Ownership of 51.4% shareholding in Naiman HPP company and 100% shareholding in Karakul HPP company, subsidiaries of Chakan HPP company, was transferred to the Ministry of State Property as payment in lieu of dividends for 2010, Nationalized Assets Property Management Fund Director Nazira Usenalieva reported. Share transfer transactions took place on December 20, 2011 at the Kyrgyz Stock Exchange.

According to Chakan HPP company's Director Kairat Emilbaev, this decision was adopted by the shareholder meeting. Chakan HPP company's total indebtedness in respect of dividends for 2010 was KGS 100 million with an annual turnover of the enterprise being KGS 250 million.

Emilbaev said that the financial and economic activities of Chakan HPP company would not be affected by such asset transfer as the transferred companies would remain state-owned entities – they would be only taken out of the control of Chakan HPP company.

Alstom, a major French engineering company, proposes to increase capacity of Toktogul HPP twice as much

Alstom proposes new technologies to increase capacity of Toktogul HPP twice as much, Prime Minister Omurbek Babanov reported on January 19, 2012 at the meeting on the state of the power sector.

Legal Update

Ministry of Energy and Industry of the Kyrgyz Republic proposes the draft of the energy saving program until 2015 for public discussion

The Ministry of Energy and Industry of Kyrgyzstan has initiated public discussions of the draft energy saving program until 2015. The respective draft was published on January 9, 2012 on the website of the Government.

The main goal of the program is to ensure the growth of the gross domestic product in 2015 without increasing the consumption of fuel energy resources. It is planned to achieve this goal by strengthening the potential for energy saving in the course of production, transmission and consumption of energy resources.

The energy saving program has three priorities:

- 1) by 2015, save up to 1.2 million tons of conventional fuel by effective management of the energy saving process;
- 2) by 2015, save up to 0.7 million tons of conventional fuel by stimulating the development and use of energy and gas effective technical means and materials in the course of production, transmission and consumption of energy and gas;
- 3) by 2015, save up to 1 million tons of conventional fuel by restructuring economy and reducing by 2 times energy capacity and electricity capacity of GDP.

The program was developed on the basis of the Law on Energy Saving and the Law on Energy Efficiency of Buildings.

Government Resolution approving «Organizational Measures for Approval of New Structure of Government» of

Prime Minister instructed the minister of the power sector and industry Askarbek Shadieyev to meet with the representatives of the company.

Alstom manufactures power generation equipment, railway locomotives, high-speed electric trains, trams, and formerly, it had a shipbuilding division.

Ministry of Energy and Industry of the Kyrgyz Republic plans to raise the share of renewable energy sources to 4% by 2025

As state secretary of the Ministry of Energy and Industry Batyrkul Baetov reported at the lecture before district akims, the share of renewable energy sources in the fuel and energy sector is currently 0.17% which is very low. According to him, such sources in Kyrgyzstan include solar, wind, geothermal and biogas energy. The ministry plans to raise this share to 4% by 2025.

According to him, there are changes being made now to the laws on renewable energy sources and on maximum tariff. Of all Kyrgyzstan's natural resources, fuel and energy represent 63.9%, including 61.6% of hydro power, 17.9% of coal, 17.4% of natural gas.

Hydro power is also the biggest source of renewable energy providing 3% of the world consumption and 15% of the world electricity generation.

Energy consumption in Kyrgyzstan increased by 40% in 2010 and by 73% in 2011

Energy consumption in Kyrgyzstan increased by 40% in 2010, and by 73% in 2011, state secretary of the Ministry of Energy and Industry Batyrkul Baetov reported on February 10, 2012.

According to him, gas pipes are 60% worn out, causing gas leaks. He noted also that while there were billions of dollars invested in the energy system during the Soviet period, there were only \$338 million invested in the power sector during the independence period.

Talking about the Central Asia unified energy system, Baetov emphasized the need to construct Datka Kemin power line before Kazakhstan threatens again to withdrawal from the system. It is planned to complete the construction of the power line by February 2013.

Professor Alaibek Obozov from

December 30, 2011 N 762

This Government Resolution was adopted in furtherance of the Decree of the Jogorku Kenesh of the Kyrgyz Republic "On Structure of Government of Kyrgyz Republic" of December 23, 2011 N 1452-V.

By the said Resolution, the Ministry of Energy was reorganized into the Ministry of Energy and Industry of the Kyrgyz Republic.

Government Resolution «On Issues of Ministry of Energy and Industry of Kyrgyz Republic» of February 20, 2012 N 116

By this resolution, the Government approved the Regulation on the Ministry of Energy and Industry of the Kyrgyz Republic and its governance structure.

Also, by this resolution, the State Department for Regulation of Fuel and Energy Sector under the Ministry of Energy was renamed into the State Department for Regulation of Fuel and Energy Sector under the Ministry of Energy and Industry of the Kyrgyz Republic.

Regulation on the Ministry of Energy and Industry of the Kyrgyz Republic of February 20, 2012

According to the Regulation, the Ministry of Energy and Industry of the Kyrgyz Republic is the central executive government body responsible for the pursuit of fuel and energy sector development policy, including the issues of electric energy, gas, coal industry, oil and gas pipelines, and renewable energy sources.

It is within the competence of the Ministry of Energy and Industry to do the following:

- developing regulatory legal acts in the area of fuel and energy sector and industry;
- developing standard contracts for energy supply regulating the rights and obligations of organizations and consumers;
- issuing licenses for production, transmission and sale of electric or thermal energy, natural gas, construction of electric stations, substations and power lines, import, export of electricity and control over licensee's compliance with license conditions;
- developing tariffs for electric and thermal

the Center for Renewable Energy Sources criticized the government energy saving program until 2015 and offered alternatives

Professor Alaibek Obozov from the Center for Renewable Energy Sources criticized the government energy saving program at the March 15, 2012 roundtable devoted to aspect of this program. In particular, professor points out that the Program gives no indication as to which part thereof is to be done by which counterpart: the Government, enterprise and investors.

A. Obozov says that the program stakes on investment, but the project is not attractive to business, so its implementation is unlikely.

In this regard, professor came up with several proposals: 1) to create a special renewable energy agency which will be in charge of this program; 2) to revive the program of conversion of the Issyk-Kul Lake resorts to solar heating; 3) to use combined systems of hot water supply; 4) to issue the Government resolution approving the Biogas program.

Ministry of Energy and Industry of the Kyrgyz Republic jointly with Korean investors consider places near Balykchy for construction of wind stations

Kyrgyz delegation visited South Korea to discuss wind stations, state secretary of the Ministry of Energy and Industry Batyrkul Baetov reported at the parliamentary hearings on February 18, 2012.

According to him, Korean investors expressed interest in the construction of wind stations in Kyrgyzstan near Balykchy town in the Issyk-Kul region.

energy, natural gas etc.

Government Order of February 22, 2012 N 58-p

This order is issued in furtherance of energy safety and taking into account the strategic and social significance of the project of the construction of Datka-Kemin 500 kV power line and "Kemin" 500 kV substation for the Kyrgyz Republic.

The Government's order is based on the decision of the interdepartmental commission for conducting negotiations with the representatives of Tebian Electric Apparatus Stock Co. Ltd (TBEA) of the People's Republic of China on financing the project of construction of Datka Kemin 500 kV power line and Kemin 500 kV substation.

According to the order, the Government recommended National Electric Net company to enter into contracts for (1) the purchase of goods and works from TBEA to implement the project of the construction of Datka-Kemin 500 kV power line and Kemin 500 kV substation for the amount of USD 342 million; (2) for the construction of the second set of Datka 500 KV and Kemin 500 KV substation and for the supply of two 200 MWt autotransformers for Ala-Archa 220 kV substation for the amount of USD 47.795 million.



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