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Renewable Energies: Global Trends and Experiences

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In Focus

> Supporting renewable energies. Somewhere else.

by **Matthias Rübsamen**

For some time now, we have pointed to the sustainable growth of renewable energies in the emerging markets and developing economies (EMDE). Supported by numerous development aid initiatives on one hand and in the light of the constantly growing hunger for energy resources, on the other hand, renewable energies justifiably play an important role in shaping strategic policies of the EMDE countries. Meanwhile, the political will to expand renewable energies has diminished, especially in Germany. The energy policy is currently shaped by controlling the costs of the energy transition.

One of the implemented cost controlling measures causes institutional investors from the renewable energy sector (except geothermal energy) considerable worry: the auction regime starts to be implemented in ever larger market segments, increasing planning uncertainty and reducing the rate of return on new projects. Meanwhile, however, renewable energy investments have long shed their high-risk label. Existing power plants have become an asset sold at relatively higher prices, and the market has become supply-driven.

By contrast, the EMDE countries are often shaped by natural framework conditions, which make e.g. photovoltaic projects competitive without state interventionism. Here, a competitive product meets unsatisfied demand. What causes the fiasco of projects, e.g. in Africa, is thus not the fundamental issue of profitability but the connotations that the risk profile of such investment projects carries and their reflection in the assessment of the political and currency risks.

Such risks can be effectively reduced and partially eliminated through cooperation with state aid banks. Their array of instruments ranges from granting subsidies, co-investment, loans bearing favourable interest, or access to hedging products for high-risk local currencies. In addition, they are networked with local authorities and thus create further security.

On its new free online marketplace platform for renewable energy projects, www.RENEREX.com, Rödl & Partner offers also a database featuring links to funding programmes. Registered users can search for programmes and filter them by country and technology. In addition, you can use RENEREX to quickly contact our experts about topics such as project financing and funding programmes.

In cooperation with our colleagues on the ground, we are able to develop for you optimal project financing solutions, connect you with local companies and help you tap into the growth regions of this world.

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Around the world

> Ground-mounted PV installations – New opportunities for investors

by Niklas Thomas and Lukas Kostrach

Since the enactment of the regulation on auctions for ground-mounted PV installations (FFAV) in 2015, all ground-mounted PV installations with an installed capacity of at least 100 kWp had been required to take part in auctions in order to be able to receive funding at fixed rates over a period of 20 years under EEG. Now, EEG 2017 has opened up new opportunities. PV installations with an installed capacity of up to 750 kWp are now exempt from the obligation to take part in auctions. This article gives the reader an insight into the arising opportunities and discusses the special aspects.

The regulation on auctions for ground-mounted PV installations (FFAV)

In April 2015, the first auction round for ground-mounted PV installations was held as mandated by the regulation on auctions for ground-mounted PV installations (FFAV). Since September 2015, the participation in the auction procedure had been obligatory for all ground-mounted PV installations with an installed capacity of at least 100 kWp. Power plant operators who were awarded incentives as part of the auction procedure have been required to feed all of the produced electricity into the public grid. This has made it impossible to operate power plants based on the prosumer concept.

Changes after EEG 2017

EEG 2017 introduces changes to the incentive scheme for the majority of renewable energy sources by making the level of funding dependent on the outcome of competitive auctions. However, this applies only to power plants with an installed capacity of over 750 kWp. In consequence, PV power plants with an installed capacity of up to 750 kWp are exempted from the obligation to participate in auctions and can receive funding without participating in any auction. In this case, part of the produced electricity can be used for the producer's own consumption purposes. PV power plants with an installed capacity of at least 100 kWp continue to be covered by the obligation of direct marketing. In this case, the level of funding for ground-mounted PV installations is 8.91 cent/kWh¹ irrespective of the exact installed capacity (see §48 (1) EEG 2017). In the case of the so-called rooftop PV installations, the level of funding is tiered depending on the size of the installation (see §48 (2) EEG 2017).

The classification of areas for eligible ground-mounted PV installations arises from §48 (1) No. 3 c) and includes e.g.:

- > areas along motorways or railway tracks from which the power plant is situated up to 110 away, measured from the external edge of the surfaced road;

- > areas which – at the date of the resolution on the preparation or modification of the development plan – were already impervious;
- > conversion areas formerly used for commercial, traffic, residential housing or military purposes.

Business models

By excluding PV installations with an installed capacity of up to 750 kWp from the auction procedure, the focus is placed (again) on certain business models which can be also economically attractive to investors:

These business models can include the "classic" models where PV installations feed all of the produced electricity into the grid, and the so-called "prosumer" models. While in the case of the classic models all of the produced electricity is fed into the public grid in return for an EEG incentive, the prosumer models are based on (proportionate) consumption of the produced electricity directly at the place where it is generated. Consumption based on the prosumer model is characterised by the fact that, in the light of EEG, the prosumer is treated as the operator of the power plant and as the consumer of the produced electricity at the same time.

While pure feed-in facilities are relatively easy to handle, the lease of PV power plants with a view to generating electricity for one's own consumption purposes is a more complex issue, but comes with higher rates of return.

If a consumer wants to satisfy part of their electricity demand with electricity generated from PV power plants, but is afraid of the investment costs of a PV power plant, leasing such a power plant from an investor will be a good solution. Such situation is not uncommon because, in the long term, many companies do not want to commit their capital to one venture that is not within the scope of their core business activity. In the case of leasing, the investor acts as the lessor of the PV power plant and the company seeking to use it for its own

¹ Funding in January 2017. If a power plant was put into operation later, depression [reduction in the rate of incentives] should be taken into account.



consumption purposes is the lessee. Then, the parties sign a lease agreement, usually for a term of 20 years, with a fixed monthly lease fee. The rate of instalments is determined based on the profitability calculation. Because of leasing, the lessee is treated at the same time as the power plant operator and the end consumer under EEG, so the lessee becomes the prosumer (§ 3 No. 19 EEG 2017). The advantage is that self-generated and -consumed electricity is subject to a lower EEG levy in 2017 as the levy is 40% (§ 61 (1) EEG 2017). From the viewpoint of the investor, the PV power plant is pre-financed and then refinanced through lease payments, which are a form of interest paid on equity capital, as in the case of capital investment. The amount of electricity that the company cannot consume itself is fed into the public grid, which is handled by a direct marketer (except for small-scale power plants). Decisive for the profitability of these concepts is the lessee's substituted price of supply of electricity and a maximum rate of consumption for the lessee's own purposes.

In order to achieve this, the scale of the power plant must be tailored to the level of consumption by the power off-taker (the lessee). The portion of electricity to be fed into the grid should be as low as possible for economic reasons because the incentives paid for this volume of electricity do not cover the cost of energy, depending on the power plant configuration. To achieve a high rate of consumption for the operator's own purposes, it is advisable to orientate the panels to the east-west direction so as to limit the typical peak output of a power plant facing south at noon and enable a steady output throughout the day. It is also possible to lease several modules of a power plant to various consumers. If more than one off-taker is planned to operate the PV power plant, decentralized solar inverters should be applied to "split" the use of the whole power plant. The size of the individual component plants should be again tailored to the volumes of consumption (load profiles) of the relevant off-takers.

Conclusion

Business models outside the auction regime continue to be financially attractive. Participating in the auction procedure involves high project development costs particularly because bidders must provide financial guarantees (bid bonds). Furthermore, the profitability of the project can be finally determined only after successful participation in the auction procedure because the level of funding will be known only at that point. The pilot auction procedure for ground-mounted PV installations has also shown that the auctions are highly competitive. In consequence, the rates of incentives offered at the auction rounds have continued to fall. If a bidder is not awarded a contract for their project during an auction round, they must wait until the next auction round and the project is frozen for many months. Outside the auction regime, the level of funding is not determined on competitive terms, but solely depends on the time of commissioning of a power plant. In this context, we

recommend taking action early on, because also the level of funding is subject to reductions preventing too fast expansion of a power plant [the so-called 'expansion-linked degeneration']. Rödl & Partner will be happy to assist you with all project measures – from preparing the first profitability calculation to drafting lease agreements.

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Around the world

> Supply of electricity in island states: IRENA (International Renewable Energy Agency) programme proves to be effective and facilitates projects

by Maria Ueltzen

Supply of electricity is one of the main problems of island states. At the same time, they often have high potential for using renewable energy generated from sustainable and local sources. The expansion of renewable energies in island developing states is aided by international expertise and financial support. The IRENA programme enables access to relevant market information about renewable energies, ranging from technological know-how and economic data to opportunities and development scenarios for projects involving renewables.

International Renewable Energy Agency (IRENA)

The International Renewable Energy Agency (IRENA) is an international organisation that supports countries in their transition to a sustainable energy future based on electricity from renewable resources. IRENA serves as the principal platform for international co-operation, a centre of excellence, and a repository of policy, technology, resource and financial knowledge on renewable energy. Since its founding in 2009 in Bonn, IRENA has expanded and has now over 150 Members, with 27 further countries having already started the formal process of becoming Members. With the headquarters in Abu Dhabi, United Arab Emirates, and the IRENA Innovation and Technology Centre (IITC), one of the three specialist departments in

Bonn, IRENA currently cooperates with over 100 international experts. In international debates, IRENA is the global voice for renewable energy and promotes the use of all forms of renewable energy. It is also a platform for sharing knowledge about successful renewables advancement models, efficient political frameworks enabling promoting renewables, enhancement of capacities, financing schemes, and energy efficiency measures. The IRENA programme offers all stakeholders access to information about renewable energies whenever they are in the world, ranging from technological know-how and economic data to opportunities and development scenarios for projects involving renewables.



International partnerships and cooperation with industrialised countries and emerging markets and developing economies on advancing renewables offer companies access to relevant information enabling them to identify opportunities in the international market. IRENA promotes renewable energy projects worldwide, at all times in the pursuit of sustainable development, energy access, energy security and low-carbon economic growth and prosperity.

The IRENA project "SIDS Lighthouse Initiative" (SIDS = small island developing states) is a lighthouse project for small island developing states which aims to further the development and mobilise funding and political will to advance renewable energies. At over USD 300 million already raised to advance renewable energies in island states, the 2020 target of about USD 500 million is already within reach. The cooperation with IRENA helps create in the participating countries framework conditions that will attract companies to the paradisiacal island states.

In paradise – Small Islands Developing States (SIDS) Lighthouse Initiative:

To cover their electricity needs, island states heavily rely on fossil fuel imports. Capital-intensive imports severely hamper the development of island states and are an obstacle to their economic growth. For example, the island of Mauritius spends over 10% of its GDP on fossil fuel imports. Being particularly exposed to the climate change, island states decide to invest in a future shaped by renewable energy. Given their own resources, SIDS could cover 100% of their energy needs from renewable energy sources. To be able to exploit their high potential, they must eliminate political, technological and financial barriers. Since 2014, IRENA has developed models for island states, the so-called roadmaps, through its experts and partnerships with the aim of creating framework conditions attractive to investors and governments. Thus, so far, over 30 projects have been successfully implemented and awarded over USD 300 million in funding raised from public and private pockets. IRENA published an overview of case studies in

a report entitled "A Path to Prosperity: Renewable Energy for Islands". In Seychelles, for example, the Port Victoria Wind Power project, a wind farm with an installed capacity of 6 MW, was successfully designed and implemented with the help of the government and USD 28 million in funds received from the Abu Dhabi Fund for Development (ADFD). The wind turbines operated by Unison Co. Ltd., a medium-sized company from South Korea, supply electricity to 2,100 households every year. In addition to diesel-generated electricity, electricity demand is covered also (on a compensatory basis) by renewable resources thus enabling Seychelles to achieve annual savings of about USD 2.5 million.¹

In a bid to raise a further USD 200 million for investments in the advancement of renewable energy by 2020, IRENA continues to work to create opportunities for project developers, investors and suppliers. It is advisable to stay informed on the latest developments about the programme and snap at the opportunities arising from tenders and changes in framework conditions.

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¹ In-house calculations based on information from Seychelles Petroleum Company (2016)



Around the world

- > Dispute over the level of funding to be set for existing power plants in the Czech Republic initially settled – the 2017 rates decision published.

by **Olaf Naatz**

After the 2016 price decision was published only at the last minute and amid an open conflict between the Czech government and the Czech Energy Regulatory Office, and after the Energy Regulatory Office initially refused to publish the price decision for renewable energy plants commissioned between 2006 and 2012 also this year, the dispute between the Czech Energy Regulatory Office and the Czech government was initially settled as the Czech aid scheme for the power plants commissioned in the aforesaid period was approved under the European Commission's notification procedure. On 14 December 2016, the Czech Energy Regulatory Office advertised the price decision where also e.g. feed-in tariffs and the green bonus to be paid to all eligible power plants in 2017 were determined.

Even if this was a legally disputable condition, the Czech Energy Regulatory Office demanded that the aid scheme should be approved by the EU Commission before the tendering procedure for incentives could be launched. As the scheme has been already approved, it can be assumed that the level of funding for the following years, which the Office is required to advertise every year at the end of September, will be now announced in time.

EU Commission demands a control mechanism

The introduction of a control mechanism demanded by the EU Commission could influence the level of funding because such control mechanism would have to ensure that the level of funding for power plants is not excessive and that state aid is limited to the level necessary for achieving the state aid targets. At least, this is what follows from the European Commission's press release on approving the support schemes. The Czech Ministry of Industry and Trade announced that an audit of whether the level of funding for power plants is excessive will be conducted 10 years after a power plant's commissioning. As for power plants commissioned between 2006 and 2008 the audit should be completed by the end of February 2019.

It is now impossible to foresee what implications the outcome of the audit will have on the level of funding. It is rumoured that especially photovoltaic power plants enjoy excessive funding, but because the solar levy has been higher since 2011 it is questionable whether the problem of excessive funding will arise at all. Because the approval by the EU Commission, issued on 28 November 2016 under no. SA.40171, has not been given to public notice yet, we cannot conclusively assess what requirements exactly have been set on the Czech Republic.

By all means, it can be stated that no control mechanism or a mechanism for reducing the level of funding in case of excessive funding is currently enshrined in Czech state aid law as it stands. Should the Czech authorities come to conclude that the power plants enjoy an excessive level of funding, first the Act No. 165/2012 Coll. on supported energy sources would have to be amended. We will keep you posted on any further developments.

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Around the world

> Date of commissioning – city court in Prague concurs with opinion of State Energy Inspection

by **Olaf Naatz**

For some time now, there has been a conflict between power plant operators and the State Energy Inspection over determining the date of a power plant's commissioning. This date is crucial for determining the level of funding.



The State Energy Inspection is of the opinion that the date of commissioning is the date of installing the electricity meter. On 30 November 2016, the city court in Prague concurred with this opinion, according to our information. The court ruling is not final, though. An appeal can be filed with the Highest Administrative Court.

The line of reasoning is based on the literal interpretation of item (1.9) of the price decision no. 4/2009, which reads: "In respect of newly installed power plants, commissioning shall be understood to be the date on which the operator started, under an awarded licence and subject to its authorisation to carry on the licensed activity, to generate and supply electricity to the electricity grid while enjoying support in the form of feed-in tariffs, or first started to generate electricity while enjoying support in the form of green bonuses."

The State Energy Inspection views 'the enjoying of support' as a separate requirement for determining the date of commissioning and goes on to conclude that installing an electricity meter is a prerequisite. This in turn arises from items (1.2) and (1.3) of the price decision, according to which an operator may enjoy support only in the case of electricity that is metered, which is of course an understandable prerequisite.

Such interpretation is debatable because the Energy Regulatory Office (the author of the price decision) alone – in its opinion dated 27 October 2010 – sets out arguments regarding item (1.9) of the price decision and the date of commissioning, presents a schedule and does not make the commissioning of a power plant in the meaning of the price decision dependent on enjoying support or installing any electricity meter.

Should this decision become legally binding and be part of the court ruling practice, this could have serious implications for power plant operators whose photovoltaic power plants were commissioned in 2010 but whose electricity meters were installed only in 2011. Photovoltaic power plants installed in 2010 could lose the favourable support and fall under the extremely lower level of funding for power plants built in 2011. This would certainly lead to a question as to how the 2010 opinion of the Energy Regulatory Office should be assessed from the standpoint of state liability.

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Around the world

> Namibia – a small but attractive market

by Anna-Lena Becker and Ulrike Brückner

Namibia has good potential when it comes to renewable energy projects. The planned expansion of the national electricity generation capacities is to be aided by renewable energies. Especially German investors can reap the advantages offered by the Namibian market due to the historical ties between Germany and Namibia.

Namibia's installed electricity generation capacity is 498 MW. The country's electricity demand significantly exceeds this generation capacity while the Namibian Integrated Resource Plan assumes that electricity consumption will grow by 4.25% p.a. between 2011 and 2031. Therefore, Namibia heavily relies on energy imports. The Namibian administration, however, plans to eliminate the dependence on imports by increasing the country's electricity generation capacities.

The Ruacana hydropower plant, built on the Kunene River, is Namibia's main power producer. The hydropower plant relies on the constant flow of water, which is particularly problematic in the time of drought currently plaguing the country. The situation should be remedied, among others, by large-scale pro-

jects such as the Kudu Gas project. But the completion of this project has been delayed for years now.

This situation creates opportunities also for German renewable energy investors.

There is enormous potential for PV solar projects. Namibia enjoys a very high number of annual sunshine hours and offers one of the highest solar energy yields in the world. As the first independent power producer, InnoSun Energy Holdings opened in mid-2015 the Omburu Solar PV Park with an installed capacity of 4.5 MWp. The Otjozondjupa Solar Park, developed by HopSol Africa, was opened in 2016 as the largest solar park in Namibia (5 MWp).



In terms of the surface area, Namibia is twice as big as Germany, but has an underdeveloped electricity distribution network. Therefore, private and commercial prosumer power plants are badly needed, especially in rural areas. To enable a large part of the Namibian population to use solar energy, the Namibian Ministry of Energy established the Solar Revolving Fund. The Solar Revolving Fund is a credit facility under which loans for purchasing renewable energy technologies, e.g. solar water pumps and solar water heaters, are granted on favourable conditions.

The coastal regions of Namibia have good wind resources. Currently, Namibia's first wind farm is being built in the Lüderitz region. The wind farm will have a capacity of 5 MW and is planned to be commenced in early 2017.

Namibia has set itself a goal of eliminating the problem of bush encroachment affecting agricultural areas through the production of biomass. A feasibility study has confirmed the potential of producing biomass from thornbush. The first facility (4MW) has been already implemented in form of a public-private partnership.

Under the legislative framework for renewable energy projects in Namibia, power plants of over 5 MW must be subject to a public auction procedure handled by the Ministry of Energy. In the case of such power plants, a power purchase agreement must be signed with NamPower, the national utility, or with one of the regional electricity distributors ("REDs").

Grid-connected renewable energy installations of up to 5 MW are funded with feed-in tariffs paid as part of the Renewable Energy Feed in Tariff programme (REFIT). Under the REFIT programme, the volume of produced renewable electricity to be fed into the grid is currently capped at 70 MW. Projects implemented under the REFIT programme require holding a power production licence and signing a power purchase agreement with NamPower.

Net metering is possible in Namibia for prosumer power plants of up to 500 kW. No power production licence is required.

The investment climate in Namibia can be assessed as positive compared to other African countries. This applies in particular to German companies. Germany and the German products and services are highly esteemed in Namibia. About 20,000 German native speakers still live in Namibia today and the German culture is very widespread. German is still a widely spoken language and many companies or entrepreneurs have German roots. This facilitates business contacts for German investors.

Foreign investors should not be deterred by the currently planned introduction of the obligation where a certain portion of company shares should be held by previously disadvantaged population groups in the case of newly established companies. Importantly, it is recommended that investors looking to invest in Africa should basically work with a local partner who will bring in their expertise in the local market and important contacts. Often it is reasonable to select a joint venture as the business structure; thus, certain shareholder structures can be planned already at the outset of the investment project. The process of forming a company takes 6 – 8 weeks to complete. Those who do not want to form their own company can operate through a local sales agent in Namibia. Sales agency law is based on English common law and thus enjoys a high degree of freedom of contract. Contract drafting is thus of special importance. Due to the Southern African Customs Union and the close economic ties between Namibia and South Africa, you can easily combine entering the markets of both countries at the same time and from there explore further economic opportunities to be seized in the rest of the continent.

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Around the world

> Completion of the first energy auction in Poland

By Piotr Mrowiec and Aneta Majchrowicz-Baczyk

The day preceding the last day of 2016 was the date of the first auction for renewable energies. Despite significant difficulties to register at the online auction platform (Polish abbrev. IPA) due to which a lot of bidders could not place their offers, the Polish Energy Regulatory Office declared on 3 January 2017 that the auction was valid and announced individual auction winners. Many auction winners can now look forward to 15 years of feed-in incentives at rates that considerably exceed the tariffs previously applicable under the quota system currently being withdrawn. The next auction is scheduled for the end of April 2017.



Auctions in 2016

After many years of preparing, the first auction rounds for electricity from renewable sources were held on 30 December 2016 in Poland.

According to the decree on conducting energy auctions, published by the Polish Energy Regulatory Office at the end of November 2016, the auctions were supposed to take place, at least theoretically, from 6 a.m. to 5 p.m. (see below). Bids could be registered only via an online auction platform (IPA) and only one bid could be submitted [by one bidder] per every participating power plant. The start date for registration with IPA was 12 December. Anyone interested in participating in the auction could create an account on IPA and register the power plant for which bids were to be made.

Overall, four auction types were held on 30 December:

1. for existing agricultural biogas plants with an installed capacity of up to 1 MW (max. purchase volume: 2,113,887 MWh, max. value: PLN 1,262,797,422);
2. for existing agricultural biogas plants with an installed capacity of up to 1 MW (max. purchase volume: 2,309,382 MWh, max. value: PLN 1,365,351,905);
3. for new power plants – the so-called other power plants – with an installed capacity of up to 1 MW (especially: photovoltaic, wind power, certain hydro power plants) (max. purchase volume: 2,113,887 MWh, max. value: PLN 1,262,797,422);
4. for existing plants with an installed capacity of up to 1 MW which met the criterion of installed capacity utilisation above 3504 MWh/MW/year and whose emission rates were below 100 kg/MWh (max. purchase volume: 1,306,870 MWh, max. value: PLN 538,297,239). This auction was dedicated in particular to small-scale hydropower plants in order to enable their operators to switch from the green certificate system to the auction system.

In addition to a number of formal requirements that had to be met (as part of the preliminary qualification procedure), the projects put up for auction had to be at the ready-to-build stage and have a grid connection approval, among other prerequisites. When quoting electricity prices for the projects, investors had to take into account the maximum price for a given technology, the so-called reference price as determined in the Regulation of the Ministry of Energy; anyone who quoted a price above the said cap was excluded from the auction.

The reference prices for the selected plant types were as follows:

1. biogas plants (irrespective of the size of the power plant) – PLN 550 / MWh \approx 12.79 euro cent / kWh
2. Wind turbines (onshore, of up to 1 MWp) – PLN 300 / MWh \approx 6.97 euro cent / kWh
3. Hydro power plants (of up to 1 MWp) – PLN 470 / MWh \approx 11.16 euro cent / kWh
4. Photovoltaic power plants (of up to 1 MWp) – PLN 465 / MWh \approx 10.81 euro cent / kWh



Results of individual auction rounds

The two auction rounds held for the existing biogas plants did not enjoy great popularity despite high reference prices. In the auction for smaller-scale biogas plants only 7 valid bids were placed by operators from one corporate group (PBG). Accepted were all of the submitted bids, which hardly differed in terms of the quoted price (the minimum price offered was PLN 502.23/MWh, whereas the maximum price was PLN 504.57/MWh). The outcome of the auction for biogas plants with a nominal capacity of over 1 MWp was a disappointment. Only one bid was submitted. Since according to law at least 3 valid bids must be submitted for the auction to be valid, the auction was declared void. Thus, the only bidder also left the auction empty-handed. Strange were the results of the fourth auction round (for existing power plants with an installed capacity of up to 1 MW which met the criterion of installed capacity utilisation of over 3504 MWh/MW/year and whose emission rates were below 100 kg/MWh). 49 valid bids were submitted and all of them were accepted. One of the bidders, however, made a grave error. Namely, the bidder submitted an unrealistically low bid – PLN 30 / MWh \approx 0.7 euro cent / kWh. This was most probably the bidder's typing error.

As expected, the only auction round for new power plants was most popular. Judging by the winners, this auction round turned into a pure PV auction. Overall 152 bids were effectively submitted and more than half of them, that is 84 bids (62 bidders) were accepted. Only this auction round could be described as competitive. At the same time, however, a lot of bidders were not able to submit their bids for this auction. Already at 10 a.m. it was not possible to access IPA, probably because the website was overloaded. The disappointed bidders postulated the repetition of the „unfortunate“ auction round. But the Energy Regulatory Office decided to declare that round as valid. From the pragmatic perspective, the Office had no other choice. More than 3 bids were submitted and in 2016 there was no time anymore to repeat the auction. Thus, the bidders may now only hope that the IPA platform will operate smoothly in 2017 and those determined may claim damages from the state, whereas the prospects of success are difficult to estimate.

The maximum price at which the energy was purchased was PLN 408.8 / MWh \approx 9.5 euro cent/ kWh, whereas the minimum price was PLN 253.5 / MWh, which translates into ca. 5.8 euro cent/ kWh. The winners have now 24 months to implement their projects. In view of the declining prices for PV modules, similar solar radiation levels in Poland and Germany, but with significantly lower costs of land purchase or lease in Poland, it can be said that the achieved prices are attractive.

Auction rounds in 2017

The government is also preparing for a 2017 auction. The auctions held in 2016 rather resembled test auctions in terms of their volume; the 2017 auctions are said to invite bids for significantly larger volumes. This time co-firing technologies should be admitted to the auction for the first time; a higher purchase volume is also expected for variable renewable energy facilities. According to the draft regulation regarding the 2017 auctions, 4,725,000 MWh of energy should be purchased from variable renewable energy facilities. This means that about 300 MW could be generated in PV power plants as a result of this auction (4,725,000 / efficiency – 1050 p.a. / 15 years).

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Around the world

> Auctioning 3,000 MW of installed capacity in Spain. Publication of draft laws on 29/12/16

An auction round to be held yet in the first quarter of 2017.

by **Christoph Himmelskamp**

After a four-month moratorium, the Spanish administration is apparently revisiting the issue of incentivising renewable energy. According to the latest legislative plans, an auction is to take place yet in the first quarter of 2017, and overall 3,000 MW are to be auctioned in 2017.

The reason for changing the course of action are apparently the guidelines from Brussels according to which renewable energies should have a share of 20% [in the energy mix] by 2020. Currently, Spain achieves only 17.4%. According to the draft of the law, companies from all sectors of the renewable energy industry may participate in the planned auctions, i.e. both wind power and photovoltaics and biomass and biogas.

Following the auction held in January 2016 in Spain, during which 500 MW of wind power were sold without any incentives and which was harshly criticised for this by RE associations, the Spanish Ministry of Industry issued a response and announced that a minimum incentive rate would be guaranteed. The structure and the guaranteed rate of the minimum incentive will be regulated in the implementing regulation for the auction, which will be published alongside the upcoming auction.

The criterion for being awarded a contract is the % discount offered by the bidder on the standard investment value prescribed by the Ministry of Industry. The draft of the law currently reads that the standard investment value per 1 MW of installed photovoltaic capacity will be EUR 1.2 million and the annual remuneration for such investment will be EUR 47,854 per 1 MW of installed capacity in 2019. Contracts will be awarded to power plants which will offer the highest discount on the value of the initial investment (and thus on the annual remuneration). If a 1MW photovoltaic power plant was awarded a contract for a 0% discount, such a power plant would receive – in addition to the electricity market price per kWh – an additional remuneration of EUR 47,854 in 2019. In line with the % discount, the annual additional compensation decreases. The additional remuneration is paid irrespective of the produced kWh and is said to ensure the profitability of RE projects.

The Spanish administration is planning to conduct a so-called marginal auction where all power plants with awarded contracts receive remuneration offered by the power plant that is the last to be awarded the contract. For example, a contract is awarded to the last bidder who offered only a 20% discount. In such case, all bidders who were awarded a contract would be paid remuneration based on a 20% discount even if they submitted bids for higher discounts.

In this process, wind and solar power and other technologies are evaluated on equal footing. As for wind power, the Ministry of Energy has set the initial investment value for a standard wind turbine also at EUR 1.2 million and for other technologies at EUR 2 million per MW of installed capacity. This means that wind and solar power are in the same shoes when it comes to their starting positions at the auctions and the contracts will be awarded to those producers who will offer prices more advantageous for the Spanish electricity market. The operating life is set at 25 years for both wind turbines and photovoltaic power plants.

At the time of submitting tender documentation, bidders are not required to describe specific projects there yet; it is enough that they submit their bids for a notional volume of MWs in any technology of their choice. Information about the specific project must be provided within 6 months of the date of entering the fact that the bidder was awarded a contract in the appropriate register.

To be eligible for participating in the auction, the bidder must file a bank guarantee, but its amount is yet to be determined in the implementing regulation. Nonetheless, according to the draft of the law, the bank guarantee has already been set at 60€/kW to be filed within 45 days of the date of the contract award and to be released depending on the planning and construction progress. The deadline for putting power plants into operation is 31/12/2019.

This again creates opportunities for the German renewable energy companies in the Spanish market.

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News on international renewable energy incentive programmes

> IRENA-ADFD Project Facility

15 February 2017 is the last day when you can yet apply for concessional loans under the IRENA-ADFD Project Facility. It is a funding programme for renewable energy projects conducted in developing economies and offers a pool of funds totalling USD 350 million. Every year, the Abu Dhabi Fund for Development (ADFD) in cooperation with the International Renewable Energy Agency (IRENA) grants loans of USD 5 – 15 million per project. Up to 50% of project costs are financed under the programme. The only requirement that interested project developers and investors must meet is to submit basic information about the project, contact details of the government representatives involved, and a specification of technical, financial and social & economic aspects of the planned project.

> GDF – Geothermal Development Facility

The Geothermal Development Facility Latin America (GDF) is the first multi-donor trust fund promoting the development of geothermal energy in the region of Latin America. The initiative is led by KfW Entwicklungsbank and its pool of funds is over 1 billion U.S. dollars. After successfully completing the Expression of Interest (EOI) process, project developers and financial investors are awarded grants of up to USD 6 million per project and country. Further funding is granted based on promising surface studies for a given project. Project developers can now register for the competition on www.gdflac.com.

Rödl & Partner offers you advice on how to apply for grants all over the world. We consider grants when comprehensively planning your project financing and ensure their optimal deployment to reduce risks. By registering on our new online marketplace for renewable energy projects, you will gain access to a comprehensive collection of links to funding programmes – divided by technology and country: www.renerex.com

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„Força, Equilibri, Valor i Seny“ (strength, equilibrium, valour and common sense) is the Catalan motto of all Castellers, describing their fundamental values very accurately. It is to our liking and also reflects our mentality. Therefore Rödl & Partner embarked on a collaborative journey with the representatives of this long-standing tradition of human towers – Castellers de Barcelona – in May 2011. The association from Barcelona stands, among many other things, for this intangible cultural heritage.

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