

USE OF RENEWABLES TO GENERATE ELECTRICITY

Law No 339-VIQ, dated 31 May 2021, *On Use of Renewables to Generate Electricity*, is enacted with effect 14 July 2021 with supposedly no retroactive effect *vis-à-vis* any existing projects. The Law is aimed at promoting generation of electricity from renewables by addressing legal, economic, and organisational grounds for their use and providing for mechanisms to support the developments. The Law is passed pursuant to the State Program of Use of Alternate and Renewable Energy Sources.

Site

The Law provides for the Atlas, a mapping of potential renewable energy sources in Azerbaijan. The Atlas will include land plots and water objects appropriate for renewable projects based on their initial assessment, potential, boundaries, and other appropriate features. Information held by the State land, water, forest, and other appropriate cadastres shall be transmitted to the authority that will maintain the Atlas, the Ministry of Energy.

The decision to qualify and declare a site for renewables is made by the Cabinet of the Ministers with the participation of the state electric power generation and supply companies, Azerenerji JSC and Azarisiq JSC. Before declaring, the Cabinet must consider, among others, rights in the site and/or water object and request an approval of the affected persons. The decision is issued together with the map providing for the location, dimensions and boundaries of the site.

Once so qualified, the category and designation of the site is updated accordingly. The energy generation must commence in the next two years. The Ministry of Energy takes measures to select a power producer, transfer rights in the concerned land plot, and inform the affected persons.

Power Producer

A producer is selected through an auction or direct involvement. In auctions, the winner is selected based on the lowest price offered to Azerenerji JSC for the energy to be generated from a renewable source.

The producer can also be selected by the Cabinet of Ministers subject to an approval from the President upon implementing pilot projects of state and strategic importance or if the auction could not be held. The selected energy producer shall make: (i) an investment agreement with the Ministry of Energy; (ii) a power purchase agreement with a guaranteed buyer (offtaker); and (iii) a transmission connection agreement with either Azerenerji JSC or Azarisiq JSC, depending on the network to be connected to. The producer shall also make agreements to obtain rights in the land plot/object; the term of a lease or water use agreement cannot be less than the term of the power purchase agreement.

Producers of electricity from renewables are issued a certificate by the Ministry of Energy evidencing the renewable.

Pricing

Prices (tariffs) for electricity generated from renewable energy sources are calculated per each kWh of the electricity transmitted to the network. The guaranteed tariff applies within a period stipulated under the

power purchase agreement made between the producer and the offtaker. Otherwise, the tariffs are set by the Tariff Council.

Transmission and distribution of electricity is carried out based on the tariffs set by the Tariff Council save for the producers entitled to the guaranteed tariff.

Permitting and Access to Information

Design, construction, and installation of power plants shall be carried out in accordance with the Urban Development and Construction Code of the Republic of Azerbaijan and other applicable acts. A procedure for obtaining the construction and power generation permits shall be same as prescribed by the generally applicable regime, Law No 176-VQ, dated 15 March 2016, as amended, *On Licences and Permits*.

The *Law on Use of Renewables to Generate Electricity* creates the information system of renewables to be integrated into the e-government. The system is to be developed by the Ministry of Energy and the State Agency for Services and Social Innovations within nine months of the Presidential Decree of 12 July 2021 implementing the Law.

Rights and Obligations

Producers are entitled to have access to electricity networks (at their own cost) and demand the electricity is transmitted through them. It is a requirement of the Law that the producers must use advanced technologies for the generation of electricity from the renewables. Azerenerji JSC and Azarisiq JCS must control the conditions of transmission and maintain the networks upgraded.

CBC MCAA UPDATE

In December 2017, we [updated](#) readers on the status of Azerbaijan's participation in the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (CRS MCAA). Further, at the IBA Europe-Caucasus-Asia Forum in November 2019, we [presented](#) on the anti-avoidance measures and double taxation avoidance treaty practices, including county-by-country (CbC) reporting.

According to the March 2021 [update](#) from OECD, Azerbaijan, as of 12 March 2021, is a signatory of the multilateral Competent Authority [Agreement](#) on the Exchange of CbC Reports (CbC MCAA).

PLEASE CONTACT US FOR ANY QUESTIONS AND FURTHER INFORMATION AT:

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