





Restructuring of FiT mechanism in Ukraine

On 10 June 2020 Prime Minister of Ukraine, the acting Minister of Energy, European-Ukrainian Energy Agency (EUEA), Ukrainian Wind Energy Association (UWEA) and other Ukrainian state authorities under the patronage of the European Energy Community, signed Memorandum of understanding on the Settlement of Problematic Issues of the Ukrainian Renewable Energy Sector (the “Memo”)

- The Memo accommodates the arrangements reached by the state authorities and the above industry associations with respect to the restructuring (reduction) of the feed-in support mechanism (the “FiT”).
- The Memo stipulates that RES producers accept the proposed FiT reduction without extending the FiT period as well as strengthening their liability for imbalances.
- On the other hand, relevant state authorities undertake to pay off the debts for 2020 until the end of 2021 (the debt of the “Guaranteed buyer” in the production of RES is approx. UAH 14 billion) and perform regular and timely payments to RES producers for supplied electricity. The Government also committed to introduce comprehensive and enforceable Stabilization clause for RES producers/ investors and launch “green” auctions in 2021.
- The provisions of the Memo shall be the basis of changes in legislation, which should ensure the financial stability of the renewable energy sector.
- The parties of the Memo committed to taking best endeavours to adopt relevant changes to the legislation before 1 August 2020.
- On 15 June 2020, the Government already registered draft law No.3658 “On Amendments to certain laws of Ukraine on improving the conditions for supporting electricity production from alternative energy sources” (“Draft Law”) and draft law No.3657 “On amendments to the law of Ukraine “On the electricity market” that mainly reflect the main provisions of the Memo.



	Draft law terms		Current terms	
	SPP 	WPP 	SPP 	WPP 
I. Feed in tariff	Reduction on: 15% for SPPs > 1 MW (commissioned in July 2015 – Dec 2019)	7,5% for WPPs > 2 MW (commissioned in July 2015– Dec 2019)	circa € cents 11,25/kWh for SPPs >10 MW	circa € cents 9,05/kWh for WPPs > 2 MW
	10% for SPPs < 1 MW (commissioned in July 2015 – Dec 2019)			
	60% for SPPs (commissioned since 1 Aug 2020)			
	2,5% for SPPs and WPPs (commissioned since 1 Jan 2020) Note: FIT reduction is carried out without prolongation of FIT validity period			
	Maximum FIT rate will be introduced for all RES producers (commissioned until July 2015)			
II. Feed in tariff validity	until 1 Jan 2030		until 1 Jan 2030	
III. Deadline for commissioning projects under pre-PPAs	31 July 2020 (to avoid 60% tariff reduction for SPPs commissioned since 1 Aug 2020)	3 years (if Pre-PPA was signed until 31 Dec 2019)	2 years (if Pre-PPA was signed until 31 Dec 2019)	3 years (if Pre-PPA was signed until 31 Dec 2019)
IV. Imbalances liability	since 1 Jan 2021 since 1 Jan 2022	50% 100%	since 2021 since 1 Jan 2030:	increase by 10% annually 100%
V. Tolerance margin	5%	10%	10% (5%) <small>from 31 Dec of year when share of RES production will achieve 5% or more in the energy balance</small>	20% (10%)
VI. Stabilization clause	Applicable		Non applicable	

Contacts

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