

Renewables Readiness Assessment  
for Azerbaijan

# Panel discussion: Renewables in Azerbaijan – Status and Challenges



**Scene setting presentation:**

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# Outline

1. Introduction
2. Overview of key topics for discussion:
  - Institutional, policy and regulatory frameworks
  - Electricity tariffs
  - PPAs
  - Renewable energy financing
  - Grid Connection
  - Technical Knowledge and Capacity
3. Panel Discussion



## Discussion paper: Overview of preparation process



# Overview of key topics for discussion

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1-Institutional,  
policy and  
regulatory  
frameworks

2-Electricity  
tariffs

3-PPAs

4-Renewable  
energy financing

5-Grid  
connection

6-Technical  
knowledge and  
capacity

# Overview of key topics for discussion

## Legislative Framework

- Lack of a comprehensive law on renewable energy and related secondary legislations

## Action Plan on renewable energy development

- Lack of comprehensive approach outlining action plan for achieving RE targets

## Policy Support Mechanisms

- Not attractive for private investors
- Need to enable more attractive business case

# Overview of key topics for discussion

## Permitting Procedure

- Missing one-stop shop mechanism for larger producers (“ASAN service” – only less than 150 kW)
- Complicated procedure

## Institutional Setup

- Complexity in roles and responsibilities of the involved institutions and bodies

## Tariff setting methodology

- Electricity regulated with all state regulated tariffs such as public utilities (electricity, water, gas, district heating), city passengers transport (bus, metro).

## Tariff attractiveness

- Electricity tariffs in general remain low
- Current tariff applicable to renewable energy (5 AZN or 2.94 USD cent to 5.7 AZN or 3.35 USD cent), is not attractive for investors
- Denominated in local currency

## Renewable Energy Financing

- High interest rates
- Demanding securities requirements
- Banks are generally reluctant to finance RE projects

## Power purchasing agreements

- Additional layer of insecurity to RE projects
- Increased risk for private sector developers and investors
- Challenging bankability of projects



# Overview of key topics for discussion

## Grid Connection

- NO grid code so lack of technical standards
- High costs of grid connection
- Foreign investors concerned

## Technical Knowledge and Capacity

- Technical, finance, policy and project personnel
- General awareness about benefits of RE

6 Key areas for discussion:

1. Institutional, policy & regulatory frameworks
2. Electricity tariffs
3. PPAs
4. Renewable energy financing
5. Grid connection
6. Technical knowledge & capacity

Questions for you:

1. Are all issues covered?
2. Do you have comments or suggestions?
3. Any other remarks in relation to RE market development?

# Renewables in Azerbaijan

## Status and Challenges



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