

PRACTICAL EXPERIENCE IN IMPLEMENTING RENEWABLE ENERGY PROJECTS IN KAZAKHSTAN: TECHNICAL AND ECONOMIC ASPECTS

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TRACK RECORD

CARER Group of companies has a professional team with unique knowledge and experience in development, consulting, construction and operation & maintenance of renewable energy projects.

Our services:

- Consulting solutions;
- Construction of AC and DC sides;
- Commissioning and grid connection;
- O&M services;
- Owner's engineer service;
- Financial structuring;
- Tax advisory;
- Investment preferences.

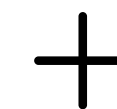
CARER Group of companies

CARER LLP
(Consulting)

**Hi-Tek Qazaqstan
LLP**
(DC construction)

**Kaz Trade
Construction LLP**
(AC construction)

O&M Solar LLP
(O&M)



Qazaq Green Association
(development of RE industry in Kazakhstan)



+400 MW

Portfolio of projects

+300 WORKERS

Labour mobilization for construction works

9 YEARS

Experience in development of
renewable energy projects

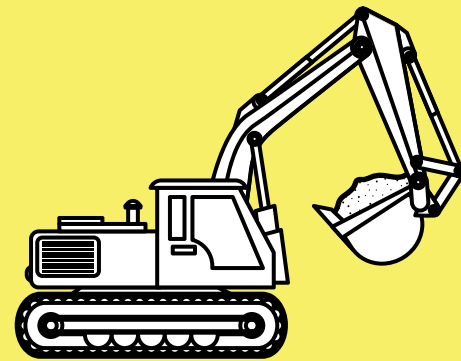
**+10 PROJECT
MANAGERS**

Fluent in Kazakh, Russian, English and Chinese

SOLUTIONS IN RENEWABLE ENERGY



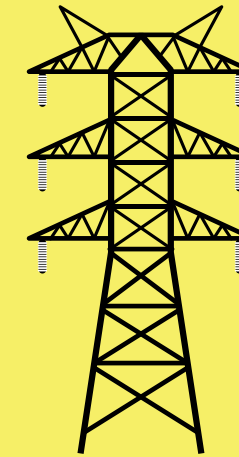
Consulting
solutions



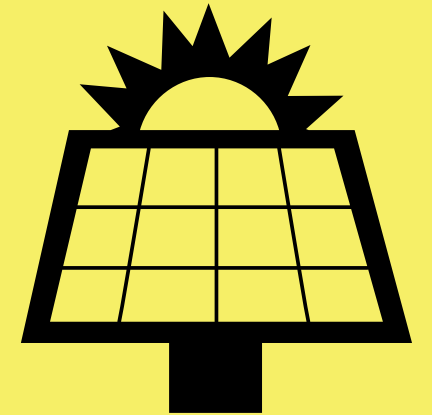
Construction
(AC & DC)



Owner's
engineer



Commissioning
& grid
connection



Operations and
Maintenance

Existing tariffs

Based on previous results of auction, starting tariffs in tenge will be:

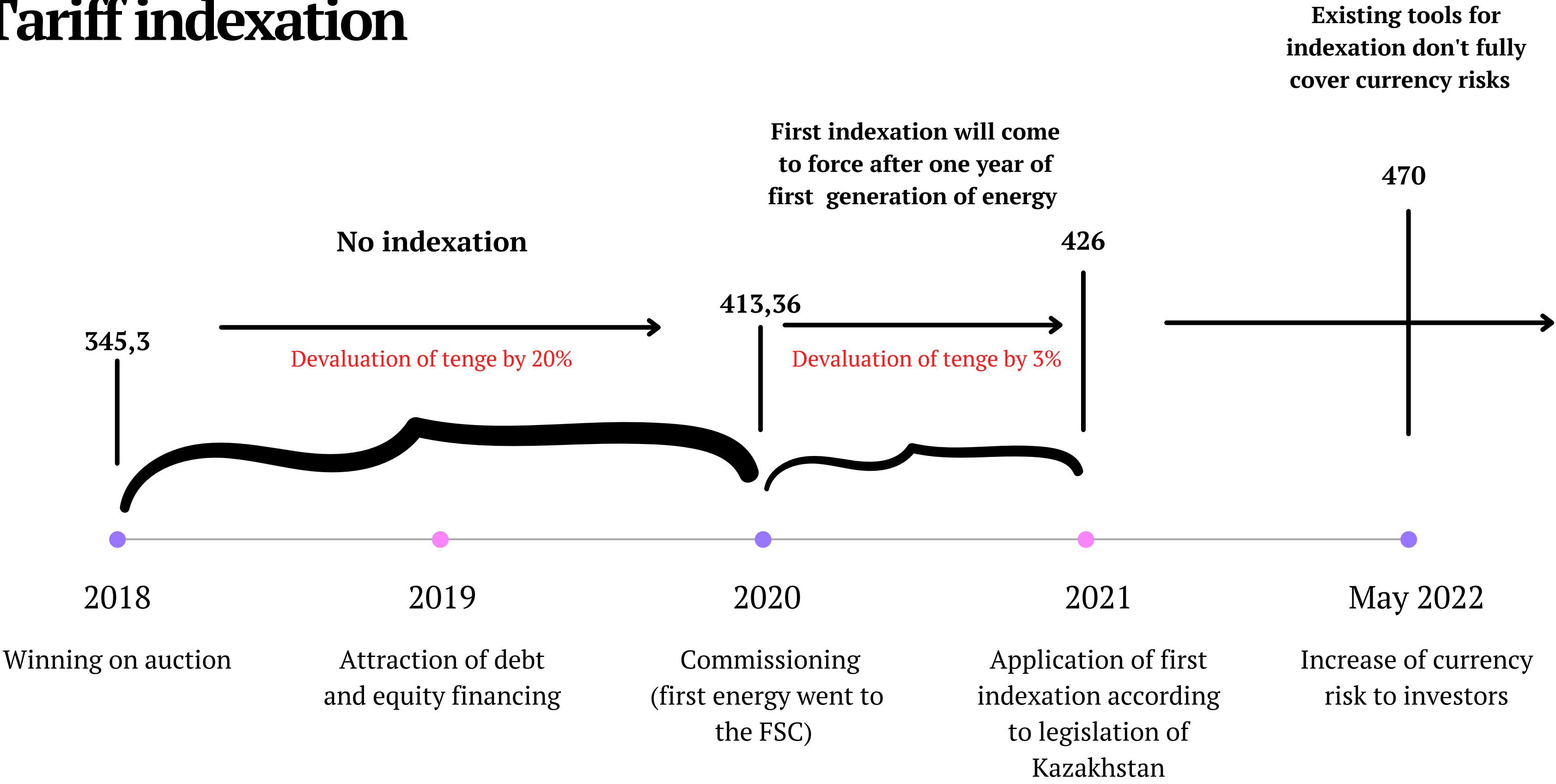
- SPP - 12,87 tenge per kWh;
- WPP - 14,08 tenge per kWh;
- Hydro - 15,19 kWh;
- Bio energy - 32,15 kWh.

Existing mechanism of indexation

1) $T_{t+1} = T_t * CPI$

2) $T_{t+1} = T_t * \left(1 + 0,3 * \frac{(\text{ИПЦ}_t - 100\%)}{100\%} + 0,7 * \frac{\text{USD}_{t+1} - \text{USD}_t}{\text{USD}_t}\right),$

Tariff indexation



INVESTMENT PREFERENCES IN KAZAKHSTAN

- Obtainment of investment preferences is regulated by the "Entrepreneurial Code of the Republic of Kazakhstan";
- Authorized body - Investment Committee of the Ministry of Foreign Affairs of the Republic of Kazakhstan;
- Investment preferences can only be obtained by a legal entity registered in the Republic of Kazakhstan, including those with foreign participation.

TYPES OF INVESTMENT PROJECTS

- **An investment project** is a set of business activities that provide investments in the creation of new, expansion and (or) renovation of existing projects according to the list of investment projects.
- **An investment priority project** is a set of business activities that provide investments in the construction of new production facilities (factory, plant, shop), in the amount of at least 15,3 billion tenge or 36 mln. USD (2022) according to the list of investment priority projects.



INVESTMENT PREFERENCES

Investment preferences for investment project:

- custom duty exemptions and VAT import exception for specific list of products;
- state grant (land).

Investment preferences for priority investment project:

- corporate income tax - 0%;
- land tax - 0%;
- property tax - 0%;
- custom duty exception;
- state grant.

IMPORTANT INFORMATION

- Time for preparation of documents;
- Existing PPA contract;
- Changes in legislation;
- Changes in HS Codes;
- Investment committee has right to request any additional information with regards to RE project or request to modify documents.



DEBT FINANCING

- ~70% of the total project cost is financed by long-term debt financing;
- The main players in the long-term debt financing market are major international financial institutions and Development Bank of Kazakhstan;
- Kazakh second-tier banks cannot provide long-term debt financing in national currency at acceptable rates;
- Comprehensive due diligence by independent consultants;
- Attracting debt financing in foreign currency has high currency risks, and in the event of a significant weakening of the tenge, this may lead to a default of the project.



ADDITIONAL FACTORS TO CONSIDER

- CAPEX in Kazakhstan is not the full cost of the project. When evaluating the cost of the project, it is necessary to take into account: financial costs of the debt, customs costs, VAT on equipment imports (12%), costs of allocating a land plot from state ownership and other;
- During the construction period, it is necessary to budget costs of operating activities;
- During the construction period, it is necessary to include in the budget the costs for security and video surveillance systems;
- In accordance with the requirements of the legislation of the Republic of Kazakhstan, the investor must hire Design and Technical Supervision for the construction period;
- International financial institutions may require a Debt Service Reserve Account and a Maintenance Reserve Account.



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