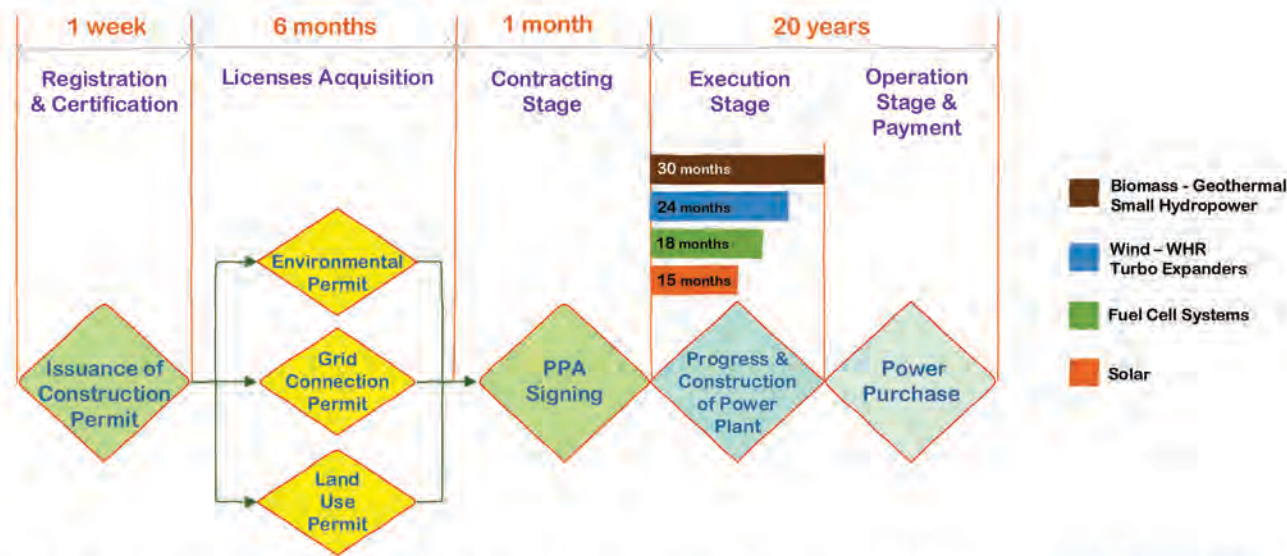


Investment in Clean and Renewable Energy A General View

Implementation Stages



Applicants interested in investment of construction of clean and renewable energy power plants may obtain registration work sheets and complementary information from SATBA website at www.satba.gov.ir. In terms of any necessary explanation you can contact through email or phone:

Non-governmental sector Development:

Tel: +98 21- 88377297, 88377300 Email: kharid tazmini@satba.gov.ir

International Affairs Office:

Tel: +98 21- 88377039 Email: international_affairs@satba.gov.ir

Postal address: SATBA Building, NRI, Western End of Dadman Blvd., Shahrak-e-Ghods, Tehran

P.O Box: 14665-1169

Postal Code: 1468611387

Notable Items:

- ▶ Investment should be done by non-governmental sector, in addition to private companies, cooperative companies, actual persons and civil partnership groups may also apply for construction permit and PPA.
- ▶ Non-forcible transfer of more than %25 of the share of the company to others is only allowed after starting the commercial operation of the power plant and depends upon written approval from SATBA otherwise this permit will not be valid.
- ▶ The maximum validity of the construction permit that has been issued for the first time is six months before being operationalized, in case of expiry if the applicant has obtained at least 2 permits out of 3 permits (environmental permit, grid connection permit and land use permit) the construction permit will be extended.
- ▶ Applicants should inform SATBA about the coordinates of the proposed land so that SATBA can check any possible interference with the lands reserved by other applicants.
- ▶ Currently no loan or facility is allocated for such power plants by SATBA, but the investors may directly apply to banks or financial institutions for attracting investment in terms of investment for construction of renewable and clean power plants.
- ▶ At present, no legal deductions (Tax & VAT, insurance) will be applicable to payments of invoices.
- ▶ In SATBA PPAs, prepayment is not considered and the investor cannot benefit from selling the electricity in advance.
- ▶ The prices indicated in PPAs are not subject to future changes of power purchase tariff.
- ▶ Required land for solar power plants is assumed to be Max. 2 hectares and the land required for each wind turbine will be considered as spots equal to square of rotor's diameter.

To materialize the Article 44 of the constitutional law regarding enhancement of private sector participation in economic activities of the country and in order to preserve fossil energy resources, safeguarding the environment, diversification of energy resources and passive defense, Renewable Energy and energy Efficiency Organization (SATBA) has adopted feed-in tariffs (FiTs) of renewable and clean electricity generated from non-governmental power plants as one of its top programs. In accordance with the decree from the honourable Cabinet with No. H 52375 T/153440 dated 10.2.2016 and the Act from H.E Minister of Energy with No. 95/14273/30/100 dated 8.5.2016, the electricity generated by clean and renewable power plants will be purchased as follows:

Power Plant Technology Type			FiTs (IRRs per kWh)
1	Biomass	landfill	2700
		the anaerobic digestion of manure, agricultural wastes and wastewater	3500
		incineration and wastes gasification	3700
2	Wind Farm	above 50 MW capacity*	3400
		with the capacity of 50 MW and less	4200
3	Solar Farm	above 30 MW capacity*	3200
		with the capacity of 30 MW and less	4000
		with the capacity of 10 MW and less	4900
4	Geothermal (Including resource assessment and excavation)		4900
5	Waste Heat Recovery (WHR) from Industrial Processes		2900
6	Small Hydropower (with the capacity of 10 MW and less)	installation on the rivers and side facilities of dams	2100
		installation on the water pipelines	1500
7	Fuel cell systems		4948
8	Turbo expanders		1600

* SATBA determines the maximum capacity for the large wind and solar farms according to the total 2000 MW annual capacity development policy.

Allocated to the Subscribers and Limited to their Connection Capacity			FiTs (IRRs per kWh)
1	Wind with a total capacity of 1 MW and less		5700
2	Solar	with a total capacity of 100 KW and less	7000
		with a total capacity of 20 KW and less	8000

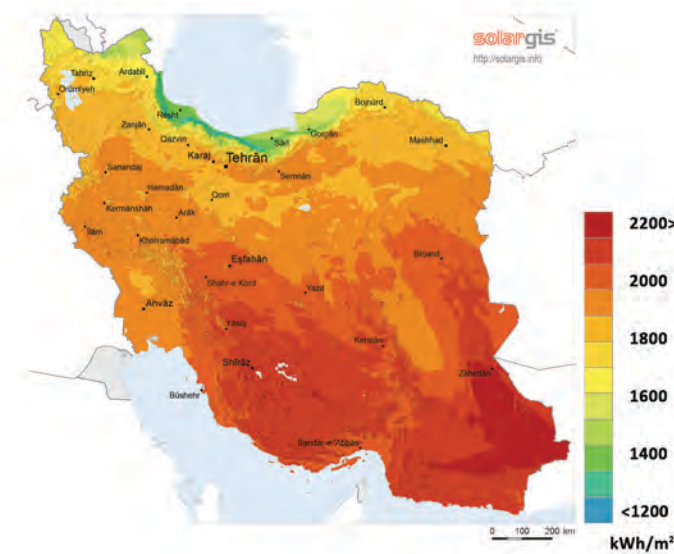
Important Notes:

- ▶ Power Purchase Agreements (PPA) of power plants subject to this announcement are extended for a 20-year period with the specified tariffs.
- ▶ To compensate for devaluation of money, the tariffs will be annually adjusted during the contracts based on Euro exchange rate fluctuations and internal inflation according to article 3 of honourable Cabinet Act.
- ▶ All tariffs except wind farms, will be multiplied by 0.7 starting from the first day of the second 10 years till the end of the contract.
- ▶ Tariffs for the wind farms with the capacity factor of 40% and above in the first 10 years, will be multiplied by 0.4 starting from the first day of the second 10 years till the end of the contract. However those with the capacity factor of less than 20% will be multiplied by 1 and the rest with the capacity factor between 20% to 40% will be multiplied by an appropriate coefficient.
- ▶ Purchase of electricity from fuel cell systems depends upon the storage of electricity from other renewable generators in the place of electricity production of generators. Therefore, the produced electricity from fuel cell systems that their hydrogen is supplied from natural gas is not purchasable and this is only allowable for systems that supply their hydrogen by electrolysing water by the means of renewable electricity.

- Tariffs subject to this announcement, multiplied based on the hourly coefficient which is announced and updated by Iran Grid Management Co. (www.satba.gov.ir/en/guidelineinformation-Guideline-Information)
- Tariffs can be increased up to a maximum of 30% for power plants constructed, using local know-how, design and manufacturing, according to the instruction of article 6 of honourable Cabinet Act.
- For the power plants connected to the distribution grid, a transmission service rate will be added to the FITs. The transmission service rate will be announced by Iran Grid Management Co.
- The 20-year PPA starts from the signing date of the contract which includes the progress and the construction period of power plant.
- The rates of this announcement are valid for the PPAs which the power plants will be constructed and commercially operated within a maximum of 30 months for biomass, geothermal and small hydro power plants, also a maximum of 24 months for wind, waste heat recovery (WHR) power plants in industrial processes and Turbo expanders, a maximum of 18 months for fuel cell systems, a maximum of 15 months for different types of solar power plants since the signing date of the PPA. In case of delay, the tariff which is in current for new contracts or the tariff mentioned in the contract, which ever is lower, will be applied on the start date of commercial operation.
- A maximum delay of 9 months since the commercial operation date allows the Renewable Energy and Energy Efficiency Organization of Iran (SATBA) to terminate the PPA, cancel the construction permit and inform the authorities to return back the state lands which are intended for the construction of the power plant.
- The investors that their contracts are terminated due to delay, their new request will be taken into consideration after 2 years.
- During the period of PPA and after that, the investor is allowed to sell electricity across the country in the form of bilateral contract, power exchange, electricity market, or any other form approved by the Ministry of Energy.
- The export of electricity from clean and renewable power plants depends upon separate permits.
- The article 5 of the Minister Act prohibits dividing the high capacity power plants into several smaller power plants in order to benefit from a higher FIT.
- Tariff for biomass power plants will be multiplied in a coefficient that will be announced by a workgroup subject to Article 5 of Economic Council Act.
- The application for PPA is not allowed for applicants who benefited from the state grant funds and subsidies for their power plants. The investor shall commit that the state grants funds and subsidies are not used for construction of the power plant.
- The Ministry of Energy will follow up the policy of gradual reduction of tariffs due to the increase of the capacity of clean and renewable power plants in the country by considering the limitations in financial sources. The reduced rates will be applied only in new contracts.
- Construction permit applicants should fill two worksheets and submit to Non-governmental Partnerships Office of SATBA. The documents include a written application which specifies the type, capacity and coordinates of the candidated location along with the company's documentation such as registration ad in official gazette, statute and its latest amendments.
- Upon obtaining environmental permit, grid connection permit and land use permit (for state owned lands), PPA will be signed with applicants.
- For the biomass power plants which are based on waste, the permission for the use of waste, and for the small hydro power plants, the permission for the use of water transmission lines is required.
- Both drafts of PPA and construction permit and the commitment letters are available in SATBA website for detailed consideration.
- Power Distribution Companies will sign purchase agreement with limited connection capacity subscribers.
- Foreign investors in clean and renewable energy generation are welcomed. They may apply for a construction permit and concluding the PPA by either registering a company in Iran or joining the Iranian companies.

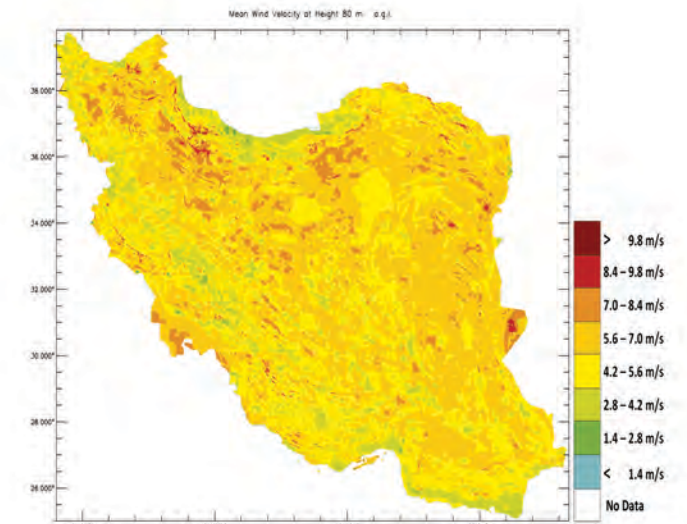
- The principals and benefits of investment will be guaranteed based on rules and regulations of Foreign Investment for Promotion and Protection Act (FIPPA) by Organization for Investment, Economic and Technical Assistance of Iran. Further information is available at www.investiniran.ir
- The following is a summary of resource assessment throughout the country. Complementary information in this regard can be found at SATBA website. It is necessary to mention that the information on potentials indicated in this brochure is only for preliminary acquaintance of applicants and not a reference for construction of power plants. Applicants need to perform feasibility studies and resource assessment on their own responsibility. SATBA accepts no claim in this regard.

Solar Energy:



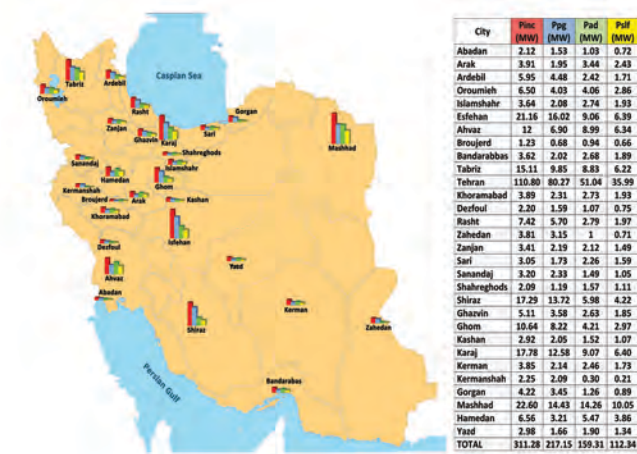
The annual average radiation is based on the data between the years 1999 & 2011

Wind Energy:



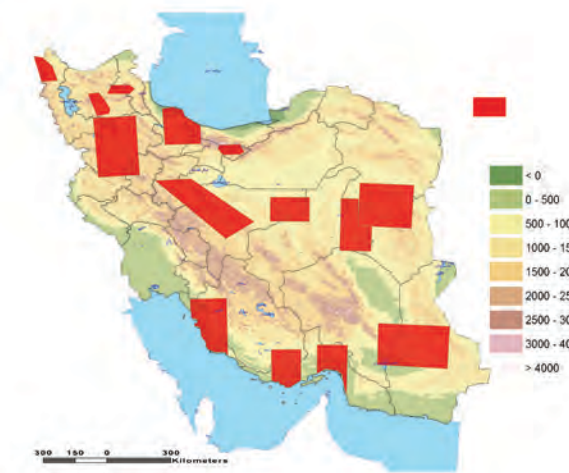
According to studies, country's technical wind potential is estimated to be more than 140000 MW.

Biomass Energy:



Studies indicate existence of an approximate potential of 810 MW from biomass resources.

Geothermal Energy:



15 potent regions have been identified in Iran in which only in Meshkinshahr region, the reservoir capacity is estimated to be 250 MW electrical and 1250 MW thermal.