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President of Ukraine Mr. Volodymyr Zelensky

Copy:

Prime Minister of Ukraine Mr. Oleksiy Honcharuk

Head of the President Office Mr. Andriy Bogdan

Minister of Energy and Environment of Ukraine Mr. Oleksiy Orzhel

Minister of Finance of Ukraine Mrs. Oksana Markarova

Minister of Economy of Ukraine Mr. Timofiy Mylovanov

Chairman of the Parliament Energy and Utility Services Committee Mr. Andriy Gerus

Chairman of the Parliament Economic Development Committee Mr. Dmytro Natalukha

From

Investors of the Renewable Energy Industry of Ukraine

Kyiv, 17 December 2019

Your Honorable President Zelensky,

We, a group of international and Ukrainian investors that represent the **majority of the Ukrainian renewable energy sector** in terms of installed capacity of operational power plants, power plants under construction and new projects with signed Power Purchase Agreements, respectfully submit this letter as part of the investment community which has successfully supported Ukraine over many years in bringing foreign direct investments and supporting economic growth.

Signatories of this letter have invested more than **EUR 4.0 billion** in Ukrainian renewable energy projects, and have also made commitments to further investments exceeding **EUR 2.0 billion** over the next 3 years. This, and the results of these investments (income from profit taxes, employment, transition to carbon neutral energy system, reduced dependence on imported energy resources, etc.), would be an important success story for the Government of Ukraine in its efforts to attract foreign direct investments.

Importantly, we have also attracted the **world's leading international financial institutions and banks** to provide financing for these projects, including the European Bank for Reconstruction and Development, US Overseas Private Investment Corporation, Denmark's IFU, France's Proparco, Black Sea Trade and Development Bank, Finland's Finnfund, Germany's KfW/DEG, Sweden's Swedfund, FMO, Nordic Environment Finance Corporation, GIEK and others.

Private investors and financial institutions have committed investment into Ukraine's renewable energy sector based on a fair and stable regulatory framework. Any retroactive changes to the current legislation for renewable energy would immediately put existing projects with leading international bank financings in default and would lead to involuntary restructuring of large portfolios of loans with a large number of international banks. This would have **serious repercussions for continued and future financing** of all infrastructure projects in Ukraine, not just in the renewable energy sector, as well as for success of **renewable energy auctions** that the Government plans to launch next year.

We appreciate your recent public statements as well as the statements of the Prime Minister that Ukraine will always protect investor rights and **will not proceed with any retroactive changes** that are not agreed with the industry members. We also appreciate the efforts of the Ministry of Energy and Environmental Protection of Ukraine to elaborate a dialogue with investors on measures aimed to ensure the sustainability of the renewable Public Service Obligation (PSO) mechanism administered by the Guaranteed Buyer.

As part of this dialogue, the idea of a **voluntarily feed-in tariff (FIT) restructuring** was recognized as one of the instruments to reduce the potential deficit of the Guaranteed Buyer. Signatories to this letter are ready to consider accepting a limited reduction of the applicable FIT rate and a slight acceleration of the balancing responsibility (subject to the introduction of a cap on the balancing costs until a fully liquid, transparent and competitive balancing and ancillary services market is in place) in exchange for an extension of the duration of the Power Purchase Agreement (PPA) as well as approval by the Parliament and Government of a package of measures aimed at de-risking of the renewable sector. This concerns both renewable energy plants under operation and future projects that have secured Pre-PPAs.

A group of five deputies of the Parliament registered on 06 December 2019 the **Draft Law No. 2543** "On introduction of changes to certain Laws of Ukraine on improvement of investment climate in the renewable energy area" that reflects the aforementioned approach and proposes a proper framework for FIT restructuring. While some of us have certain suggestions on potential improvement of the Draft Law No. 2543 that we are communicating separately to the Parliament, we believe that this Draft Law represents a **balanced compromise between investors and the state** with both sides taking a step forward to address the funding problem of the Guaranteed Buyer, while improving the investment climate in the energy sector of Ukraine.

On 13 December 2019, the Draft Law No. 2543 was not supported by the Parliament Energy & Utility Services Committee, thus, postponing the resolution of the problem until some undefined time. Expedient fixing of the stability of renewable PSO scheme based on mutual compromise would restore confidence of investors and ensure the ability of Ukraine to attract much needed **investments not only in renewable energy generation, but also in other modern technologies** that are important for the energy system such as battery storage, flexible generation, demand response systems, etc. A stable regulatory environment based on a sound compromise reached with investors with respect to feed-in tariff system would enhance significantly the interest from investors to take part in future renewable auctions, helping Ukraine to achieve optimal auction prices for electricity due to a lower-risk environment and enhanced competition.

Considering the importance of the renewable energy sector for the Ukrainian economy and climate change, we kindly ask for your support in ensuring a stable regulatory environment in the renewable energy sector, in particular, via endorsement of the compromise which was proposed in the Draft Law No. 2543. We are open for dialogue and remain at your disposal to provide any additional information on our joint position.

Respectfully,

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