**LAW OF THE REPUBLIC OF AZERBAIJAN**

**On the Use of Renewable Energy Sources in the Electricity Generation**

The Law defines the legal, economic, and organizational basis for the use of renewable energy sources in electricity generation, as well as support mechanisms to promote electricity generation from renewable energy sources, and regulates relations in this area according to paragraph 11 of Part I of Article 94 of the Constitution of the Republic of Azerbaijan.

**Chapter 1**

**General Provisions**

Article 1. Basic Definitions

1.1. The basic definitions used herein shall have the following meanings: persist

1.1.1. renewable energy sources mean energy sources persisting or replenishing constantly in the environment (hydropower, wind energy, solar energy, geothermal energy, biomass energy, sea and ocean wave energy, tidal energy, water flow energy, etc.),

1.1.2. field of ​​use of renewable energy sources in the electricity generation means the area of ​​activity covering the production, storage, transmission, supply, and consumption of electricity from renewable energy sources,

1.1.3. tender means a procedure performed in the form of an auction or competition to choose a producer that will generate electricity with the definite capacity in the territory of renewable energy sources and determine the guaranteed tariff to be applied in the electricity procurement contract,

1.1.4. power plant means a system of interconnected equipment and related facilities required to generate electricity from renewable energy sources,

1.1.5. producer means a person who produces electricity at a power plant,

1.1.6. territory of renewable energy sources means a land plot (water body), which has the renewable energy source potential and is suitable for electricity generation, determined by the body (institution) assigned by the appropriate executive authority,

1.1.7. electric power grid means a system of electrical installations intended to transmit and supply electric energy,

1.1.8. consumer means a legal entity or individual who purchases electricity under a purchase and sale agreement and uses it through electric energy receivers,

1.1.9. electric power grid connection agreement means an agreement for the connection of power plant to the electric power grid and the provision of appropriate services, concluded between the producer and the state-owned electric company for the transmission power grid and the electric energy supplier for the power supply grid,

1.1.10. guaranteed buyer means a body (institution) assigned by the appropriate executive authority to ensure the purchase of electricity at guaranteed tariffs, as well as its sale in the wholesale electricity market,

1.1.11. guaranteed tariff means a tariff set for producers chosen by auction or assigned by direct involvement in the territories of renewable energy sources within the framework of the support mechanism per kilowatt-hour of electricity supplied to the electric power grid,

1.1.12. active consumer means a legal entity or individual who, apart from consuming electricity, generates electricity from renewable energy sources within capacity limits determined by the appropriate executive authority (institution),

1.1.13. electricity procurement agreement means an agreement concluded between a producer and a guaranteed buyer for the purchase and sale of electricity generated in the territories of renewable energy sources,

1.1.14. action plan means a document approved by the body (agency) assigned by the appropriate executive authority, determining national, local, and other measures based on studying the existing renewable energy source potential in nature, modern technologies, electric power grid development, electricity consumption forecasts, and awareness-raising of electricity consumers, and setting goals for the use of renewable energy sources in electricity generation,

1.1.15. balancing means actions and processes implemented by the state-owned electric company to ensure the sustainable balance between the electricity generation, import, export, and consumption according to quality indicators,

1.1.16. balancing commitment means obligations of wholesale electricity market entities on the balanced production, consumption, and sale of electricity according to the approved schedules, as well as their financial liabilities to the state-owned electric company arising from the regulation of the imbalance.

1.2. Other concepts used herein shall have the meanings defined by regulatory legal acts of the Republic of Azerbaijan.

Article 2. Legislation of the Republic of Azerbaijan on the Use of Renewable Energy Sources in Electricity Generation

2.1. The legislation of the Republic of Azerbaijan on the use of renewable energy sources in electricity generation comprises the Constitution of the Republic of Azerbaijan, international agreements to which the Republic of Azerbaijan is a party, this Law, and other regulatory legal acts regulating the energy sector.

2.2. Relations in the field of use of renewable energy sources in the Alat Free Economic Zone are regulated according to the requirements of the Law of the Republic of Azerbaijan “On Alat Free Economic Zone.”

Article 3. State Regulation Principles in the Use of Renewable Energy Sources in Electricity Generation

3.0. State regulation in the field of use of renewable energy sources in electricity generation is based on the following principles:

3.0.1. applying support mechanisms,

3.0.2. ensuring equal access to and transparency of support mechanisms,

3.0.3. creating equal opportunities for producers to use the electric power grid,

3.0.4. applying international standards in the generation of electricity from renewable energy sources,

3.0.5. ensuring efficient use of the renewable energy source potential.

Article 4. The State Obligations in the Field of Use of Renewable Energy Sources in Electricity Generation

4.0. The state obligations in the field of use of renewable energy sources in electricity generation are as follows:

4.0.1. formulating and implementing state policy in the field of use of renewable energy sources in electricity generation,

4.0.2. adopting action plans in the field of use of renewable energy sources in electricity generation,

4.0.3. adopting regulatory legal acts in the field of use of renewable energy sources in electricity generation,

4.0.4. ensuring the creation of a favorable investment environment to attract local and foreign investments in the use of renewable energy sources in electricity generation,

4.0.5. determining the territories of renewable energy sources,

4.0.6. applying support mechanisms in the field of use of renewable energy sources in electricity generation,

4.0.7. taking measures associated with the training of specialists, strengthening human resources, and development of curricula.

**Chapter 2**

**Supporting the Use of Renewable Energy Sources in Electricity Generation**

Article 5. Support Mechanisms for the Use of Renewable Energy Sources in Electricity Generation

5.0. The following support mechanisms are applied for the purposes hereof in the field of use of renewable energy sources in electricity generation:

5.0.1. supporting the electricity generation in the territory of renewable energy sources through the application of guaranteed tariffs and other means,

5.0.2. supporting active consumers,

5.0.3. supporting scientific research,

5.0.4. mechanisms provided for in the Tax Code of the Republic of Azerbaijan and the Law of the Republic of Azerbaijan “On Customs Tariffs.”

Article 6. Territories of Renewable Energy Sources

6.1. To arrange the efficient use of the renewable energy source potential, an atlas of the renewable energy source potential of the Republic of Azerbaijan (hereinafter – the atlas) shall be drawn up, which is an integral part of the information system on renewable energy sources outlined in Article 15 hereof.

6.2. The atlas shall contain appropriate information on land plots (water bodies), where renewable energy source potential can be used based on the initial assessment, the renewable energy source potential of each of them, their boundaries, and other features. The state land, water, forest, and other cadasters, as well as other state information resources required to ensure drawing up and relevance of the atlas, shall be provided free of charge to the body (entity) keeping the atlas, assigned by the appropriate executive authority.

6.3. The body (entity) assigned by the appropriate executive authority may submit substantiated proposals for determining the land plots (water bodies) to be included in the atlas as the territory of renewable energy sources to the body (entity) assigned by the appropriate executive authority.

6.4. The proposal referred to in Article 6.3 hereof shall include the following:

6.4.1. the land plot (water body) data set included in the atlas,

6.4.2. topographic map specifying the location, size, and boundaries of the land plot (water body),

6.4.3. the results of estimating renewable energy potential of the land plot (water body),

6.4.4. the results of estimating the possibility of using the water body for hydropower needs according to the Water Code of the Republic of Azerbaijan,

6.4.5. the results of estimating the possibility of connecting the power plant to be built on the land plot (water body) to the electric power grid, performed with the participation of the state-owned electric company and the electric energy supplier,

6.4.6. information on the type and categories of ownership of the land plot (water body), the preliminarily calculated population in that territory, the number of persons having ownership, use, or lease rights to the land plot (water body), as well as construction objects located on the land plot, and the type and specifics of damage and deprivations those persons will suffer due to the use of the territory (water body) for the electricity generation purposes,

6.4.7. preliminarily agreement of persons having ownership, use, or lease rights to the land plot (water body) for the determination of the land plot (water body) as the territory of renewable energy sources, the use of the land plot (water body) for the electricity generation purposes, and the transfer of their rights to the land plot (water body).

6.5. The body (entity) assigned by the appropriate executive authority may submit a proposal according to Articles 6.3 and 6.4 hereof to state bodies and agencies or relevant municipalities to estimate the proposal or its individual aspects.

6.6. The body (entity) assigned by the appropriate executive authority may decide on the determination of the land plot (water body) as the territory of renewable energy sources upon examining the proposal and related documents submitted according to Articles 6.3 and 6.4 hereof, as well as other documents it deems expedient, considering the proposal submitted by the body (entity) assigned by the appropriate executive authority in part or in full. A topographic map specifying the location, size, and boundaries of the land plot (water body) shall be attached to this decision.

6.7. The decision to determine the land plot (water body) as the territory of renewable energy sources shall set a period not exceeding 2 years for obtaining a permit for the power plant construction according to the Urban Planning and Construction Code of the Republic of Azerbaijan. This period may be extended by the body (entity) assigned by the appropriate executive authority for no more than a year on the ground of a substantiated request of the body (entity) assigned by the appropriate executive authority.

Article 7. Legal Force of the Decision to Determine the Land Plot (Water Body) as the Territory of Renewable Energy Sources

7.1. From the date of deciding to determine the land plot (water body) as the territory of renewable energy sources:

7.1.1. that land plot (water body) shall be recognized as the territory of renewable energy sources,

7.1.2. the body (entity) assigned by the appropriate executive authority shall take measures according to Article 8 hereof to choose a producer for the generation of electricity in the territory of renewable energy sources,

7.1.3. the body (entity) assigned by the appropriate executive authority shall take appropriate measures associated with the transfer of rights to the land plot (water body), considering the period specified in Article 6.7 hereof.

7.2. The body (entity) assigned by the appropriate executive authority shall bring copies of the decision on the determination of the land plot (water body) as the territory of renewable energy sources and the certificate on its legal force to the attention of the persons named in Article 6.4.7 hereof.

7.3. From the date of the decision on the determination of the land plot (water body) as the territory of renewable energy sources to the end of the period specified in Article 6.7 hereof, no permission for the construction of facilities other than power plants there can be granted or a decision on the construction of any facility on the state-owned or municipal land plot (water body) approved.

7.4. From the moment of the decision on the construction and installation of the power plant on the land plot (water body) determined as the territory of renewable energy sources according to the Urban Planning and Construction Code of the Republic of Azerbaijan, the category and the type of use of that land plot shall be considered changed.

7.5. If the decision on the determination of the land plot (water body) as the territory of renewable energy sources becomes invalid or in case of failure to obtain permission for construction and installation of the power plant in the territory of renewable energy sources before the period set in Article 6.7 hereof has expired, the ownership, use, or lease rights to the land plot (water body), as well as construction objects located on that land plot, of the persons who have previously had the rights to that real estate shall be considered restored.

Article 8. Choosing a Producer for the Generation of Electricity in the Territory of Renewable Energy Sources

8.1. The body (entity) assigned by the appropriate executive authority shall choose electricity producers in the territory of renewable energy sources by auction or direct involvement.

8.2. If the tender is held in the form of an auction, the tender winner shall be the person who has quoted the lowest price for the purchase of electricity to be generated in the territory of renewable energy sources by a guaranteed buyer.

8.3. Producers of electricity in the territory of renewable energy sources shall be assigned by direct involvement with the consent of the body (entity) assigned by the appropriate executive authority in the following cases:

8.3.1. when implementing pilot and other projects of strategic importance or in the state interests,

8.3.2. if an auction for choosing the electricity producer in the territory of renewable energy sources is not held.

8.4. The following agreements shall be concluded with the producer chosen by auction or assigned by direct involvement:

8.4.1. investment agreement with the body (entity) assigned by the appropriate executive authority;

8.4.2. electricity procurement agreement with the guaranteed buyer;

8.4.3. electric power grid connection agreement with the state-owned electric company or the electric energy supplier, depending on the grid to which the power plant will be connected.

8.5. Producers chosen to generate electricity in the territory of renewable energy sources shall ensure the connection of the power plant installed within the approved capacity limits in that territory to the power grid and the purchase of electricity by the guaranteed buyer within the period specified in the electricity procurement agreement.

8.6. The procedure for choosing the electricity producer in the territory of renewable energy sources, as well as the specifics, terms, and conditions of agreements concluded according to Article 8.4 hereof shall be determined by the body (entity) assigned by the appropriate executive authority.

8.7. Upon being chosen by auction or assigned by direct involvement, the producer shall sign an agreement(s) for the acquisition of rights to a land plot (water body) covered by the territory of renewable energy sources according to Article 6 hereof. The term of the lease of the land plot and the use of the water body shall be agreed upon between the parties but shall not be less than the period set by Article 8.5 hereof.

8.8. The issuance of permits for construction and electricity generation in the territory of renewable energy sources to the producer chosen by auction or assigned by direct involvement shall be regulated according to the Urban Planning and Construction Code of the Republic of Azerbaijan and the Law of the Republic of Azerbaijan “On Licenses and Permits.”

Article 9. Prices (Tariffs) for Electricity Generated from Renewable Energy Sources

9.1. Prices (tariffs) for electricity generated from renewable energy sources shall be calculated per kilowatt-hour of electricity transmitted to the electric power grid. Requirements for measurements and instruments shall be determined by the Law of the Republic of Azerbaijan "On Ensuring the Unity of Measurements", as well as terms and conditions of settlements and payments for electricity transmitted to the electric power grid, outlined in the agreements concluded between the parties.

9.2. Except for the tariffs set by Article 9.3 hereof, electricity generated from renewable energy sources shall be sold at wholesale prices (tariffs) set by the body (institution) determined by the relevant executive authority.

9.3. Guaranteed tariffs shall be set through a tender held to choose an electricity producer in the territory of renewable energy sources, and if the producer is assigned by direct involvement, based on an agreement concluded between the producer and the body (agency) determined by the relevant executive authority.

9.4. Guaranteed tariffs shall be applied for the period set in the purchase and sale agreement according to Article 8.5 hereof.

Article 10. Active Consumer Support Mechanism

10.1. Consumers may install power plants to meet their electric energy needs in full or in part and transfer the excess electricity generated by these plants to the power supply grid for further compensation, as well as receive electricity from the grid if consumption exceeds production.

10.2. The cost of excess electricity generated as of the end of the reporting period, which is subject to compensation, shall be calculated as follows:

10.2.1. when the electricity received from the grid exceeds that transmitted to the grid, the active consumer shall pay the cost of the excess electricity to the electric energy supplier at the retail tariff corresponding to the consumer group it belongs to,

10.2.2. when the electricity received from the grid is less than that transmitted to the grid, the electric energy supplier shall pay the cost of the excess electricity to the consumer at the existing wholesale tariff.

10.3. Consumers using the active consumer support mechanism shall install and connect to the electric power grid a meter that allows calculating electricity transmitted to or from the grid at their expense.

10.4. The active consumer support mechanism application rules shall be determined by the body (institution) determined by the relevant executive authority.

Article 11. Supporting Scientific Research

11.1. Scientific research in the field of the use of renewable energy sources in electricity generation shall be supported as part of innovative projects for creating and implementing new technologies, equipment, and materials.

11.2. Supporting scientific research in the field of use of renewable energy sources in electricity generation hereunder shall cover scientific activity performed in the following areas:

11.2.1. implementing scientific achievements and innovations,

11.2.2. creating and implementing new materials, techniques, and technologies,

11.2.3. developing programs and projects,

11.2.4. research and improvement activity.

**Chapter 3**

**Technical and Organizational Requirements and Informing in the Field of Use of Renewable Energy Sources in Electricity Generation**

Article 12. Design, Construction, and Installation of Power Plants

Design, construction, and installation of power plants shall be performed according to the Urban Planning and Construction Code of the Republic of Azerbaijan, other regulatory legal acts on urban planning and construction, as well as technical regulatory legal acts.

Article 13. Acquisition of Rights to the Land Plot (Water Body) to Generate Electricity from Renewable Energy Sources

Rights to the land plot (water body) for the construction of a power plant using renewable energy sources, except for land plots (water bodies) determined as territories of renewable energy sources, shall be acquired according to the requirements of the Land, Water, and Urban Planning and Construction Codes of the Republic of Azerbaijan.

Article 14. Permission to Generate Electricity

Permission to generate electricity from renewable energy sources in excess of the capacity specified by the body (agency) determined by the relevant executive authority shall be obtained according to the requirements of the Law of the Republic of Azerbaijan “On Licenses and Permits.”

Article 15. Information System on Renewable Energy Sources

15.1. An information system on renewable energy sources shall be created to effectively use the renewable energy source potential, implement the action plan, and arrange awareness-raising activity.

15.2. Along with other information on renewable energy sources, the information system on renewable energy sources shall contain the following quarterly and annual data on each plant generating electricity from renewable energy sources and their total:

15.2.1. the plant’s design capacity,

15.2.2. the volume of electric energy generated by the plant during the reporting period,

15.2.3. the volume of natural gas saved in the country due to the plant's operation during the reporting period,

15.2.4. income from the sale of CO2 quotas for fuel saved.

Article 16. Certificate of the Source of Electricity Generated from Renewable Energy Sources

16.1. At the consumer’s or producer’s request, the body (agency) determined by the relevant executive authority shall issue a certificate of the source of electricity generated from renewable energy sources to document the source of electricity sold to consumers by electric energy suppliers, identify and monitor the source of electricity generated from renewable energy sources, purchased and sold in the electricity market, and use support mechanisms prescribed hereby.

16.2. The procedure for issuing a certificate of the source of electricity generated from renewable energy sources and its form shall be determined by the body (agency) determined by the relevant executive authority.

Article 17. Connection to and Use of Electric Power Grids

17.1. Transmission and distribution of electricity generated from renewable energy sources shall be provided without any discrimination according to the tariffs set by the body (agency) determined by the relevant executive authority.

17.2. Producers of electricity from renewable energy sources shall have preferences in the transmission and distribution of electricity.

17.3. An agreement for the connection of power plants to the electric power grid shall be concluded between the producers and the state-owned electric company or the electric energy supplier.

17.4. When planning the power grid development, an action plan shall be considered to ensure the timely connection of power plants to the grid and their full-scale operation.

**Chapter 4**

**Rights and Obligations in the Use of Renewable Energy Sources in Electricity Generation**

Article 18. Rights and Obligations of Producers

18.1. Producers shall have the following rights:

18.1.1. use support mechanisms in cases specified hereby,

18.1.2. sell generated electricity,

18.1.3. connect to the electric power grid and request the transmission of generated electric power through the connected grid,

18.1.4. other rights prescribed hereby.

18.2. Producers shall have the following obligations:

18.2.1. apply advanced technology in the use of renewable energy sources in electricity generation,

18.2.2. pay for the connection to the electric power grid,

18.2.3. other obligations prescribed hereby.

18.3. Producers (except for hydropower plants with a capacity of more than 10 MW) shall be exempt from balancing liability.

18.4. Producers can only be involved in balancing and become therefore balancing liable with their consent.

Article 19. Rights and Obligations of the State-Owned Electric Company and the Electric Energy Supplier

19.1. The state-owned electric company and the electric energy supplier shall have the following rights:

19.1.1. check the power plant connection and electricity metering circuits for compliance with technical regulatory legal acts and electric power grid connection agreements,

19.1.2. disconnect power plants or request limiting electricity generation in the case of violation of technical requirements for connection, emergencies in the energy system, or threatening emergencies,

19.1.3. receive forecasted electricity generation volumes from the producer according to the electric power grid connection agreement,

19.1.4. other rights prescribed hereby.

19.2. The state-owned electric company and the electric energy supplier shall have the following obligations:

19.2.1. connect power plants to the nearest and most convenient grid point,

19.2.2. transmit and distribute electricity generated from renewable energy sources through the grid,

19.2.3. take measures on revamping and expanding the grid to connect power plants,

19.2.4. other obligations prescribed hereby.

**Chapter 5**

**Final Provision**

Article 20. Liability for Violation of this Law

Persons violating the requirements hereof shall be liable in the cases outlined in the Civil, Administrative Offense, and Criminal Codes of the Republic of Azerbaijan.

Ilham Aliyev,

President of the Republic of Azerbaijan

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