

AD-HOC TECHNICAL ASSISTANCE PROJECT

AHEF No. AZ 15

Project Title

Recommendations of the tariff methodology in the area of renewable energy sources

Country (s) Azerbaijan

Timescale for implementation

Beneficiary(s)

Ministry of Economic Development, Division of Regulation, transport, communication, industry and utilities

Main and specific objectives

The **overall objective** of this project was to provide a review of the current policies on support schemes for renewable energy sources that would be of relevance to Azerbaijan, Belarus and Moldova. The **specific objectives** of the project for Azerbaijan was (a) to review best practices from secondary RES legislation in the EU, with particular focus on economic instruments, especially on feed-in tariffs; (b) to propose feed-in tariff calculation methodologies based on the best EU practices to Azerbaijan's Tariff Council; (c) To draft recommendations for the rules and conditions for the connection of electricity from RES to the grid to the Azerbaijan's Tariff Council.

Results achieved

The expert team produced a report which recommended that the design of a sustainable policy for RES should be elaborated in a way so that the prevailing barriers are removed and integrity of issues is taken into account such as the RES potential, maturity of technologies, investors' risks, grid access and administrative barriers. It was further recommended that an effective policy design should reflect **five fundamental principles**:

- The removal of non-economic barriers, and the tackling of social acceptance issues;
- The need for a predictable and transparent support framework to attract investments;
- The introduction of transitional incentives, decreasing over time, to foster and monitor technological innovation and move technologies quickly towards market competitiveness;
- The development and implementation of appropriate incentives guaranteeing a specific level of support to different technologies based on their degree of technology maturity, in order to exploit the significant potential of the large basket of renewable energy technologies over time; and
- The due consideration of the impact of large-scale penetration of RES on the overall energy system, especially liberalised energy markets, with regard to overall cost efficiency and system reliability.

Useful information/ relevant documents

Selected references:

1. EREF, Prices for Renewable Energies in Europe., Report 2009, Edited by Dr. Doerte Fouquet
2. SYSTEM INTEGRATION OF DISTRIBUTED GENERATION - RENEWABLE ENERGY SYSTEMS IN DIFFERENT EUROPEAN COUNTRIES Jitske Burgers, Rob van Ommen, Frits Verheij, KEMA Consulting, 2009.
3. Coordination of national feed-in systems- a promising model to achieve flexibility for a cluster of countries, Ragwitz M., Resch G., Klessmann C., 5th Workshop of the international Feed-in Cooperation, Brussels, 7 April 2008.

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