

Investment Process for non-governmental Clean and Renewable Energy Power Plants

In line with legal enactments, Power Purchase Agreement (PPA) is concluded for a 20-year period between the Renewable Energy and Energy Efficiency Organization (SATBA) and non-governmental investors. This period starts at the time of signing the contract and includes the operation and construction of the power plant.

The electricity purchase tariffs are based on the following table. 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 more 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% and 40% will be multiplied by an appropriate coefficient). Moreover, the tariffs will be annually adjusted during the contracts based on currency exchange rate fluctuations and product retail prices. Tariffs can be increased up to a maximum of 30% for power plants constructed, using local know-how, design, and manufacturing. For the power plants connected to the distribution grid, a transmission service rate will be added to the payment tariff. The transmission service rate will be announced by Iran Grid Management Co. The construction period will be varied from 15 to 36 months based on the type of power plant.

Row	Technology type		Guaranteed electricity purchase tariff (IRRs per kWh)
1	Biomass	*Landfill	4050
		Other biochemical processes including: anaerobic digestion	5250
		All thermal (thermochemical) processes including: waste incineration, gasification and pyrolysis	5550
2	Wind farm	Wind farm (10 MW and less)	5460
3	Solar farm	Solar farm (10 MW and less)	6370
4	Geothermal (including excavation and equipment)		6370
5	Electricity generation from waste heat recovery in industrial processes		3770
6	Small hydropower (with the capacity of 10 MW and less)	Installation on the rivers (River or stream)	4940
		Installation on the pipelines and side facility of dams (Dam and transmission lines)	4225
7	Fuel cell systems		6432
8	Turbo expanders		2080

* In order to address environmental problems in coastal provinces and metropolises, the FiT from biomass technologies (row 1) is set two times more than its base.

Row	Allocated to the consumers and limited to the connection capacity	Guaranteed electricity purchase tariff (IRRs per kWh)
1	Wind with the capacity of 1 MW and less	7410
2	Solar with the capacity of 100 kW and less	9100
	Solar with the capacity of 20 kW and less	10400

With respect to paragraph (d) of Note 6 of the Budget Law of 1398, the FiT of wind power plants located in Sistan and Baluchestan Province, which the power purchase agreement is concluded at the same year, the FiT is multiplied by a factor of 1.1.

The investor is allowed to sell electricity in the form of a bilateral contract, power exchange, electricity market, or any other form approved by the Ministry of Energy. Furthermore, the export of renewable electricity will be possible after obtaining separate permits.

Support for the localization of the renewable and clean power plants

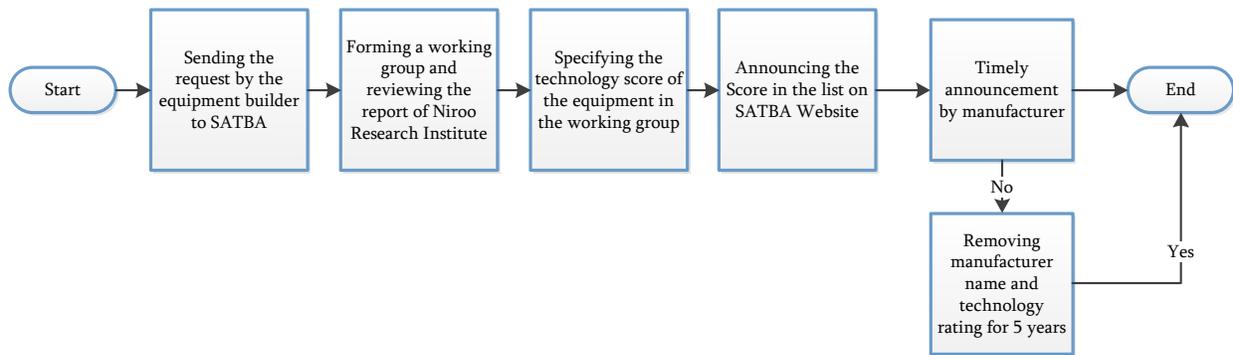
On the implementation of the instruction of Article 6 of executive directive, Article 61 of the Law on Energy Consumption Pattern Reform, based on the Minister of Energy announcement No. 97/26545/60/100 dated 2018.08.21, renewable power plants using local equipment shall benefit from an incentive factor in the guaranteed power purchase rates and proportional to the localized technology, the electricity purchase rate of these power plants will increase by 30% compared to the base rate.

Technology rating process and its corresponding incentive coefficient

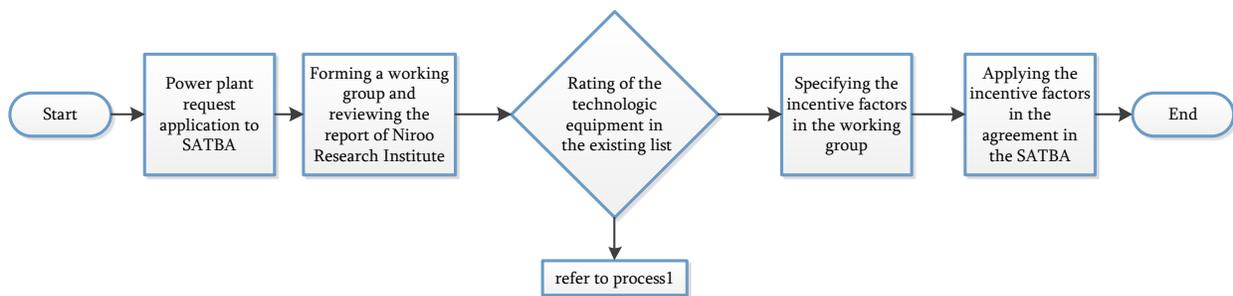
The process of determining the technology score and its corresponding incentive coefficient, the incentive coefficient of each power plant is determined by summation the technology scores of the components of the power plant consistent with the weight of the related tables (the instruction is available in the localization sector on SATBA website). The technology score of the equipment is calculated based on the three indicators of the power plant's components construction, the internal design, and the local technical know-how developed for each component of the power plant. Local construction score proportional to the share of production and job creation in Iran, the local design score based on the share of the Iranian engineering potency in designing, and the development of local technical know-how score proportional to the share of technical know-how developed in Iran that each up to 10% and the total of 30% is determined in accordance with the procedure approved by the working group. Furthermore, in order to support the technologies localization investment related to the renewable and clean power plants, SATBA concludes a long-term power purchase agreement with the companies that have the technical implementation plan for the development of technical know-how and local construction of the equipment and have obtained the relevant certificate. These contracts are the partition and assignable to the other investors.

The process of determining the technology score of equipment, the incentive factor for power plants and supporting investment in localizing renewable and clean power plants

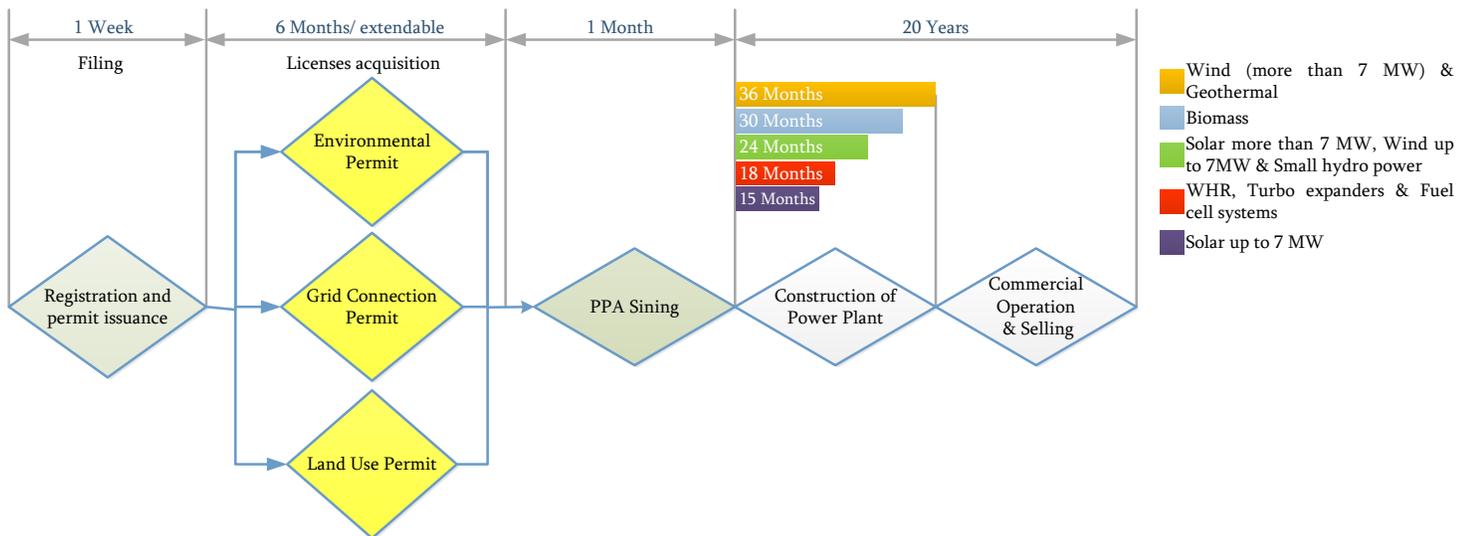
Process 1: Specifying the technology equipment Rating



Process 2: Specifying the incentive factor for power plants



Executive process of Clean and Renewable Energy Power Plants Investment

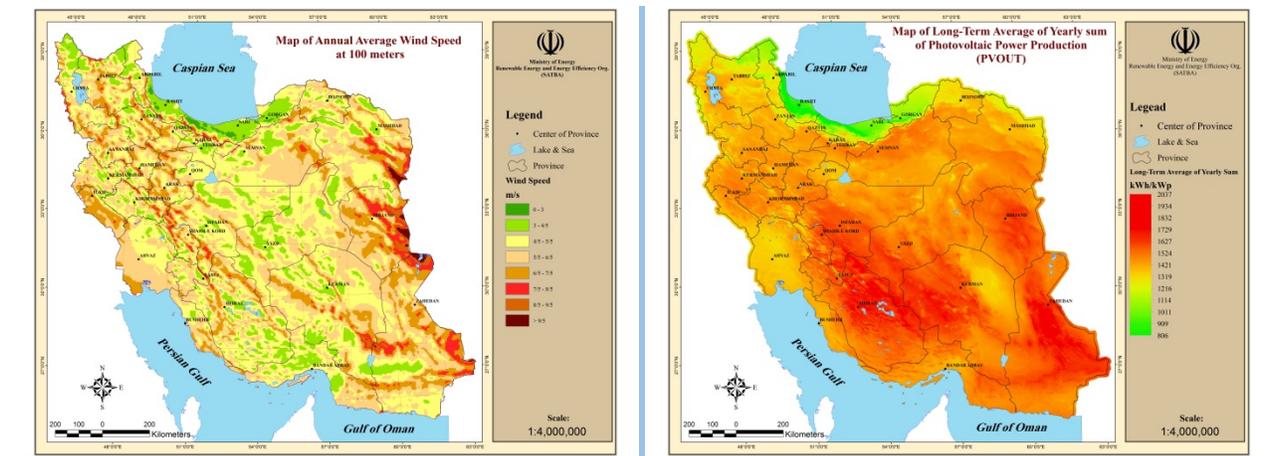


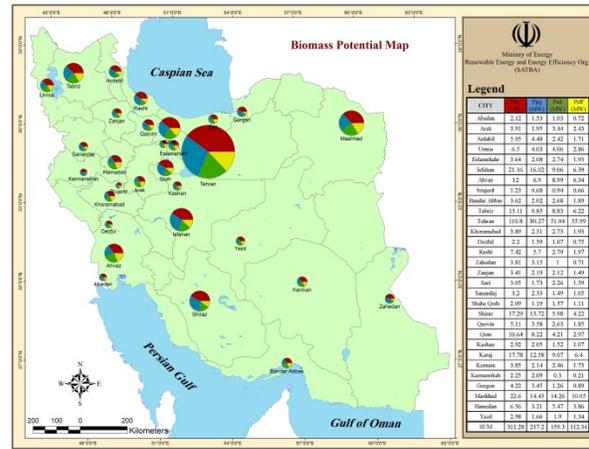
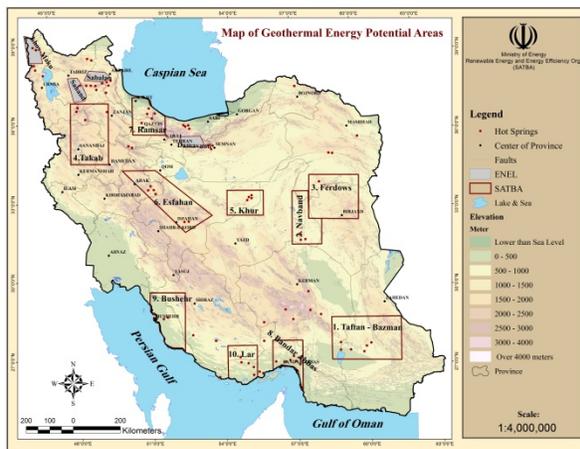
Important notes:

- Renewable and clean construction permit applicants should complete, scan, and then upload the files in the system. The related worksheets (which can be downloaded from SATBA website). The documents include a written application which specifies the type, capacity, and coordinates of the candidate location along with the company’s documentation such as registration in the

gazette, statute, and its latest amendments. In this case, the construction permit for a specific capacity in a specific site will be issued.

- The rates of this announcement are valid for the PPA contracts which the power plants will be constructed and commercially operated within a maximum of 36 months for wind with more than 7 MW and geothermal, Maximum 30 months for biomass, Maximum 24 months for solar with more than 7 MW, wind up to 7 MW and small hydro power plants, and maximum 18 months for waste heat recovery, turbo expanders and fuel cells systems and a maximum of 15 months for solar power plants up to 7 MW since the commercial operation.
- The request for guaranteed power purchase by power plants constructed with governmental grants is prohibited. The investor should ensure and commit that he/she does not use the governmental grant for the construction of the power plant.
- Power purchase agreement of power generator related to the subscribers up to maximum two times more than the capacity of the 100 kW will be done through power distribution companies represented by SATBA.
- Foreign investors can apply for the construction permit and concluding the PPA contract by either establishing a company in Iran or joining the Iranian companies. Withdraw of the investment principals and benefits will be guaranteed based on rules and regulations of Foreign Investment for Promotion and Protection Act (FIPPA) by the Organization for Investment, Economic and Technical Assistance of Iran. Providing guidance and consultancy services to foreign investors is available at www.investiniran.ir.
- Regarding renewable energies potential in Iran, some studies have been done, and are being completed the summary of the results is presented below. Furthermore, the detailed numerical information can be downloaded through the SATBA website. The information related to the potentials is only for the preliminary acquaintance of applicants and not a reference for the construction of power plants. Therefore, applicants who receive the construction permit need to perform feasibility studies and resource assessment on their own responsibility.
- It is worth mentioning that resource assessment reports, including atlas of renewable energy sources and energy efficiency in the country, reports of regions with high potential of renewable energy sources categorized by provinces, reports on identification and determination of potential for energy efficiency and consumption, as well as guidelines for information on automatic statistics stations for wind and installation table as well as renewable sources evaluation are available on the SATBA website under "resource assessment and evaluation of renewable and clean sources" and are regularly updated.

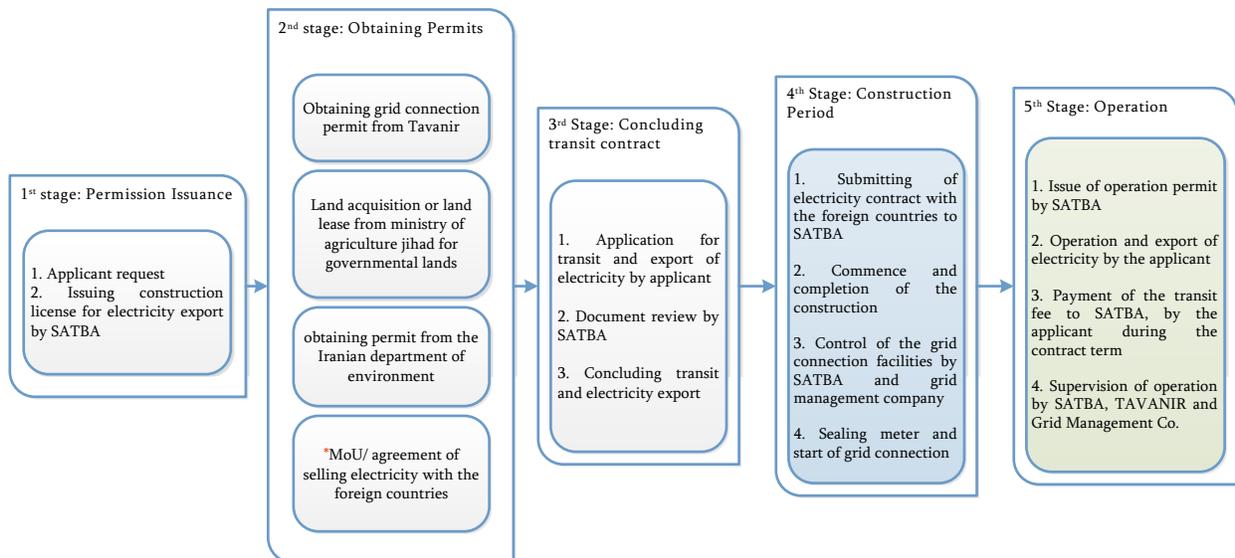




Guide on Investment in Renewable power plants for Electricity Export

To support investors who are interested in investing in the field of renewable electricity generation in Iran and exporting electricity to the neighboring countries, Renewable Energy and Energy Efficiency Organization of Iran (SATBA) has provided an opportunity for legal persons and natural persons by explaining the necessary policies and processes.

Regarding the implementation of the Minister of Energy's announcement No. 97.22029.20.100 dated 2018.07.04 and No. 98.33560.20.100 dated 2019.10.12 and article 133 of 5th development plan the process for obtaining permit for renewable electricity export is as follows:



Note 1: Applicants who have previously obtained licenses for the construction of renewable and clean power plants and are interested to export renewable electricity at any stage of their work progress, can refer to SATBA and apply for the license or contract modification (while obtaining relevant licenses as well).

Note 2: If applicants obtain a renewable power plant license for export and fail to obtain the relevant licenses for any reason, they may convert the license into a guaranteed power purchase license and obtain the required licenses and apply for the power purchase agreement with SATBA.

*Documents and correspondence indicating the agreement of the foreign party to purchase the electricity

Some points based on frequently asked questions:

- Investment should be done by the non-governmental sector. Therefore, in addition to private companies, cooperative companies, natural persons and civil partnership groups may also apply for the construction permit and concluding PPA.
- Non-forcible transfer of more than 25% of the company's share to others is only allowed after starting the commercial operation of the power plant with the mentioned capacity in the license and based on in advanced written approval from SATBA.
- The maximum validity of the construction permit that has been issued for the first time is six months and after the expiry of the license if the progress is witness, it can be extendable.
- Applicants should present the proposed land coordinates to SATBA in order to check and announce any possible interference with the lands reserved by other applicants.
- There is no financial source such as a loan or another facility is allocated for RE power plants construction by SATBA, but the investors may directly apply to banks or financial institutions for attracting investment in terms of investment for renewable and clean power plants construction.
- Based on current regulations, no legal deductions (Tax & VAT insurance) will be applicable to payments of the invoices.
- Power purchase agreements do not offer for the possibility of purchasing the electricity in advanced and investors cannot benefit from selling the electricity in advanced.
- Upon the request of the investor, the base rates of the contracts previously concluded may be changeable subject to the rates provided for in Article 3 of this Act. In this case, if the power plant has been operational with the full nominal capacity, the starting of the new base rate and the base time of the adjustment formula will be executed from the date of the accession (rate replacement) in the contract. In such case, the bills shall be applied without change before the said attachment. If the power plant has not reached the full capacity at the time of operation, the time of the adjustment formula will be from start date of the operation with the full capacity.
- Required land for 1 MW solar power plants is assumed to be maximum of 1.5 hectares and the land required for each wind turbine will be considered as spots equal to the square of rotor's diameter.

For online registration troubleshooting: 021-88371620

For investment questions and licensing section: 021-88377297

For Following up on the Construction License Extension: 021-88377300

For Following up on the License Extension Letter: 021-88371628

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