

# ASSURANCE & GUARANTEES

10MW SOLAR PROJECT



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## Preface:

One of the most attractive features of project financing in renewable energies are assurances to investors that the government will take certain actions or refrain from taking certain actions affecting the project. Although a blanket underwriting of all project risks is impossible to obtain in any project finance transaction, many of the legal and political risk categories typically encountered in an infrastructure project will be well within the host government's ability to control and may therefore be fairly allocated to such host government.

In current Solar power-plant project of [REDACTED], there various assurances and guarantees by the Government of Iran which are applicable: -

- 1) Statutory Guarantees by Iran Ministry of Finance: Organization for Investment Economic and Technical Assistance of Iran (OIETAI) for guaranteed protection under Foreign Investment Promotion and Protection Act (FIPPA).
- 2) Power Purchasing Agreement (PPA) by Renewable Energy Organization of Iran (SUNA), which is an agency under the Ministry of Energy.
- 3) By special application, the guarantee of payment of the tariffs by Ministry of Energy.

## Iran Ministry of Finance - Organization for Investment Economic and Technical Assistance of Iran (OIETAI):

The OIETAI was founded in June 1975 to conduct and perform a host of activities which, before its establishment, were delegated to different government agencies. The activities mandated to the OIETAI have all an external nature with global international affairs. It ranges from investment to financing as well as from bilateral to regional and international relations.

The president of the Organization is ex-officio the Deputy Minister for Investments and International Affairs of the Ministry of Economic Affairs and Finance. The Organization performs its duties in accordance with its statutes and such other legislation governing foreign investment in Iran, Iranian investments abroad,

external financing whether extending loans and credits to other countries as well as borrowings from international sources, coordinating and expanding relations with other countries and regional, as well as international economic and financial institutions and agencies.

The Organization is legally empowered to represent the central investment promotion authority of the Government of the Islamic Republic of Iran by providing legal protection and full security to foreign investments by way of facilitating the flow of capital into the country under the new Foreign Investment Promotion and Protection Act (FIPPA) ratified in May 2002.

The General Directorate for Foreign Investments within the Organization is responsible to receive all investment applications as well as issuance of license, conduct of affairs and safeguard all rights and entitlements of foreign investors in approved investment projects, and also to serve the investors by way of assisting, coordinating and facilitating all issues pertaining to their investments throughout the licensing process and ever after.

Being the investment authority, the Organization is also responsible for all transfers and repatriation affairs of the foreign investments as well as all arrangements and conduct of negotiations related to the bilateral and multilateral agreements for the promotion and reciprocal protection of investments (BITs) with other governments and international organizations. At present 47 BIT agreements have been signed with most of the European, South-East Asian, and neighbouring countries as well as countries of the Middle East, and North and South Africa, notwithstanding the current negotiations underway with a large number of countries in the globe.


Furthermore pursuant to Article 12 of Implementing Regulations of Foreign Investment Promotion and Protection Act ,The Organization while carrying out the duties relating to admission and protection of Foreign Investments within the framework of FIPPA, is in charge of performing and conducting foreign investment promotion activities inside and outside the Country as well as introducing legal grounds and investment opportunities, carrying out studies and applied researches, organizing conferences and seminars, cooperating with the relevant international organizations and institutions, and establishing relations and coordination with other agencies in gathering, compiling and providing information related to Foreign Investment.

The foreign investment, through different forms specially the FDI assists accelerating the process of economic development in the host country which, align with the importance of application of new technology, have both largely contributed to introducing wide-reaching changes in the national policies on

foreign investment in general and FDI in particular and the government's efforts on promotion and attraction of foreign investment. The government of the Islamic Republic of Iran being know exception has introduced policies in the context of the 5 year economic, social and cultural development plans and incentives to attract the foreign investment and FDI align with providing ground for the extensive engagement of the private sector in the national economy to be able to meet the objectives set force in the twenty-year vision of the country. The organization facilitating the business environment and simplifying the process of doing business and economic performance in the market oriented competitive economy has always been considered and attended within the government of Iran policy making mechanism in the recent years.

With Iran's rise as a regional and international economic power with lots of comparative and competitive advantages and the new historic role in envisaged for contribution of private sector in the national economy, the country is mostly focused on transfer of high technology, modern managerial skills, higher local completion and new export markets in the context of its foreign investment promotion program to assists in forming and efficient and sound coalition between the local private sector and foreign investors. However, any potential foreign investor requires valid, reliable and update information on overall business and investment environment, governing rules and regulations, government policies and approaches toward foreign investments along with any relevant and useful information assisting for making decision on choosing the most appropriate business structure in form of subsidiary, joint ventures or wholly owned company.

## Applying or Submitting to OIETAI:

, as joint and representative company of foreign EPC project investor able to obtain required assurances as a registered foreign investor from OIETAI for foreign joint company and cover all processing though Ministry of Finance in fastest way as possible.

Required letter and documents for applying consist of:

- Filling OIETAI Registration Form,
- Company Profile,
- Representative/Authority Letter,
- Joint-Venture Agreement,

## Ministry of Energy - Renewable Energy Organization of Iran (SUNA):

Iran's macro planning on energy is optimizing utilization of fossil fuel resources and improvement in exploitation of diversified resources of renewable energy to supply a portion of the country's ever increasing energy demand. Iran is among the countries with the richest resources of energy and in addition to huge reserves of fossil fuels such as oil and gas; it enjoys a great potential of renewable energies such as wind, solar, biomass and geothermal. Further to the policies drawn up by Ministry of Energy, SUNA was constituted in 1996 to implement the above objectives and acquire the up-to-date information and technologies for utilization of renewable energies' resources, evaluate the existing potentials and implement numerous projects (solar, wind, geothermal, hydrogen, and biomass) , guarantee the purchase of electricity generated from renewable sources with the aim of attracting private sector's participation in this field, study the research policies in order to prepare the comprehensive plan for development of renewable energies in the country.

In 2000 the volume of done measures of renewable energy organization of Iran caused the Ministry of Energy to propose to the cabinet the possibility to count SUNA as a state organization in order to fill the gap of an executive body in the government for development of renewable energies. The cabinet eventually agreed to the establishment of SUNA as a state company on 2000.02.27. It is worth to mention that organizations such as Atomic Energy Organization of Iran, Ministry of Agriculture Jihad and Iranian Fuel Conservation Company were also involved in this field, but with the aim of optimization and effective utilization and exploitation of renewable energy, Supreme Administrative Council, based on parliament's resolution on 2004.12.18, centralized all missions and legal operations on renewable energies in Ministry of Energy and subsequently the Ministry assigned this responsibility to SUNA on 2005.03.21. It is necessary to note that the responsibility of activities related to wind operated water pumping facilities and solar water-heating systems still remain with Iranian Fuel Conservation Company. In late 2006, upon restructuring of Ministry of Energy and formation of Electricity and Energy Deputy, office of new energies which was the headquarters of this field in the ministry, was merged into SUNA and all the staff and the projects were also transferred to SUNA accordingly.

## Power Purchasing Agreement (PPA) from SUNA:



Basically, Power Purchasing Agreement (PPA) sign between [REDACTED] and SUNA which OIETAI guarantee has to attach in agreement to make SUNA also responsible for payments to Foreign EPC Investor.

Required letter and documents for PPA consist of:

- Company Certification from Ministry of Energy *\*(already obtained)*
- All Required Approvals and Licenses *\*(already obtained)*
- OIETAI registration *(to obtain from foreign investor)*

## Government Support, PPA & Procedure of Ministry of Energy Sovereign Guarantee

Base on cooperation agreement between [REDACTED], [REDACTED] Governors, Ministry of Finance and [REDACTED] Representative in Parliament at 12 September, 2016, Our 10MW Solar project supported by mentioned authorities to expedite in processing. This project can be an excellent example of entrepreneurship and [REDACTED] solar power-plant in Iran.

Whole FIPPA registration & PPA processing will takes between 2 weeks to 5 weeks' maximum to all documents received and contracts signed and after PPA there is maximum 3 months' period time for starting the project.

[REDACTED] has also discussed the matter of a Sovereign Guarantee letter from the Ministry of Energy to guarantee the payments from SUNA under the PPA on October 4, 2016 and the Ministry of Energy has agreed to provide, subject to format and terms to be agreed, such guarantee letter as the investor may require. The process of getting this letter will follow after the registration under FIPPA and the PPA.

## Conclusion

We believe that it will be feasible and beneficial cooperation to establish excellent structure of great profitable business in renewable energies and also beginning of splendid cooperation.