

TERMS OF REFERENCE

Project title:	National consultant for the preparation of an analysis of the electricity and heat energy market to identify direct and indirect subsidies.
Duty station:	Home-based
Duration of appointment:	December 2020 - March 2021 (46 working days)
Contract type:	Individual contract
Project number and name:	00101058, UNDP/GEF Project "Derisking Renewable Energy Investment in Kazakhstan"

Project Description

The goal of the project is to assist the Government of the Republic of Kazakhstan in developing renewable energy and improving the investment climate, stimulating the active introduction of renewable energy facilities in the country.

The project targets both large-scale and small-scale renewable energy sources. The long-term goal of this project is to assist in achieving the transformation of the energy market in Kazakhstan by significantly increasing the scale of the use of renewable energy sources; in the field of electricity production - from 1.1% (SES, wind farms, small hydropower plants with a capacity of up to 35 MW, 2017) to 10% of the share of renewable energy sources by 2030, which is a 10-fold increase in electricity production based on renewable energy sources.

This work will form the basis for modeling the low-carbon development of the Republic of Kazakhstan, modeling will be carried out by UNEP together with GIZ as part of the development of a low-carbon development strategy.

OBJECTIVE

To identify the existing schemes for subsidizing the electric and thermal energy market to improve the system of economic incentives for the environmentally friendly and efficient development of renewable energy in the Republic of Kazakhstan

SCOPE OF THE WORK

1. Provide a report on the current structure of the energy sector, including the tariff setting system, including the generation and distribution of electricity and heat at the country level and by region;
2. To study the existing schemes for subsidizing the electric power industry, including direct and indirect ones, at the level of generation, distribution (transmission and sale) of electric and heat energy in the context of regions and countries, including but not limited to the following schemes:

Direct subsidies:

- Subsidies to households that consume electricity;
- Subsidies per ton of coal produced;
- Operating subsidies to coal producers;
- Subsidies for electricity consumed by mining companies;
- Grants to offset capital expenditures of extractive industries.

Sharing risks with the state:

- Discounts from the budget for electricity bills;
- State insurance reserves of coal;
- State insurance of coal transportation;
- State loan guarantees for loans raised in the framework of capital projects of coal mining companies

Tax relief:

- Household tax deductions for energy costs;
- The preferential income tax rate for coal mining enterprises;
- Reduced excise taxes on fuel consumed by coal mining companies;
- Tax subsidy for investments in coal mining companies.

Relief on other government fees:

- Reduced fees for subsoil use;
- Reduced prices for government services and goods;
- Reduced tariffs for the use of land plots for coal storage.

Transfers:

- Fixing the electricity tariff;
- Direct budgetary transfers to the energy sector (budgets of all levels);
- Export-import restrictions on coal supplies;
- Monopoly rights for coal mining companies;
- Regulation of wages in the extractive sector

3. Determine and assess the impact of existing subsidies in the sector - transportation of fuel (coal) to power plants and other types of subsidies;
4. Assess the impact of various kinds of preferences and incentives, if any, in the coal mining sector on the final tariff for the consumer;
5. Calculate the cost of electricity and heat for the end-user, excluding subsidies along the entire chain, starting with production and ending with the sale of electricity and heat, taking into account the rate of return along the generation-distribution-sales chain in the amount of 10%;
6. Calculate the possible amount of lost profit by the budget of all levels, with constant subsidizing of the sector;
7. Calculate the number of subsidies for vulnerable groups of the population (transition from general subsidies: non-targeted subsidies to targeted subsidies);
8. Conduct an analysis of distortions in the electricity and heat energy market and assess the impact of the released amount of subsidies on the further development of RES and EE, including on social development, including the creation of new jobs/gender aspects, state budget revenues with the following amount of subsidy reduction: 20%, 30%, 50%, 80%, 0%, (the calculation of subsidies is carried out under the guidance of an international expert and in accordance with the data filling template provided UNEP and the PAGE Program).
9. Conclusions and recommendations on changing the practice of subsidizing the production and consumption of electricity to create an optimal system of economic incentives for environmentally friendly and efficient development of the energy sector.

Expected results

The deadlines for completing tasks will be carried out according to the following table:

P / p No.	Results	Term of completion (number of working days)	Checked and approved
1.	Completion form: report on the current structure of the energy sector, the system of tariff setting. Report on existing subsidy schemes following the ToR - Stages 1,2,3	6 weeks from the date of commencement of works (15 working days)	Project manager
2.	Completion form, cost calculations, and assessment of the effects of subsidies following the ToR - Steps 4.5	12 weeks from the date of commencement of works (15 working days)	Project manager
3.	Completion form report with conclusions and recommendations and calculations of the cost of profits,	17 weeks from the date of commencement of works (16 working days)	Project manager

	subsidies, and market distortions following the ToR - stages 6,7,8,9		
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Indispensable conditions

When carrying out all types of work, the customer needs to ensure the complete safety of materials and finished products, excluding the creation of counterfeit products.

The general terms of work indicated in the table above can be adjusted downward by agreement and discussion with the national partner, if necessary.

Responsibility and accountability

The contractor bears full responsibility for the accuracy and legality of the information provided and for the timely provision of reports.

- The contractor coordinates the actions and reports to the project manager;
- The contractor ensures timely and rational planning, implementation of the scope of work, and achievement of results following the ToR;
- The contractor ensures full compliance with the requirements of the ToR
- The contractor is responsible for the quality of the documents prepared following the schedule.

Reports and materials: must be provided in Russian in written and electronic versions in MS WORD and Excel (2003 and above) according to the format adopted by UNDP; the font used: Times New Roman, 12.

Duration of work: 46 working days, 4 months

The presented results are agreed with the UNDP Project Manager per the expected results indicated in this Terms of Reference. The manager within 5 working days sends the executor comments to the reports, decisions on the adoption of the results by e-mail. In case of poor quality of work of the involved consultant, UNDP reserves the right to terminate the contract unilaterally. In this regard, high-quality and timely performance of work is expected following the requirements of the technical task.

Place of work: home-based

Required skills and work experience of the Consultant:

- Higher education in economics, ecology, energy, or related technical fields;
- At least 10 years of experience in the field of consulting and analysis of improving tariff regulation systems in various areas of the economy of the Republic of Kazakhstan;
- Participation in at least 5 projects related to the analysis of tariff formation/tariff regulation in the energy/heat energy/transport sectors in international audit companies (such as Big 4).
- Knowledge of legislative and other regulatory documents in the field of tariff regulation in the field of electricity;
- Skills in presenting information and writing reports;
- Availability of a certificate of professional attestation, if applicable;
- Experience in the preparation of analytical studies and methodological developments in the energy sector.
- Excellent knowledge and command of the Russian language; knowledge of English will be an advantage.

Price offer volume and payment schedule

%	Stage of work
30	Result 1
30	Result 2
40	Result 3

Recommendations for submitting an offer

The following documents in **PDF format** should be attached to your proposal and sent by email to the following address: procurement.kz@undp.org with the indication of **Ref. 2020-125** in the subject of the letter **no later than 17.00 Nur-Sultan time on November 23, 2020**:

- A brief description of methodology that tells what approach will be applied and how the task will be completed;
- A duly completed and signed letter from the applicant to UNDP confirming the interest and readiness for the assignment of an individual contractor; The financial proposal must include all costs under the contract, with the obligatory indication of a detailed breakdown of costs (daily rate and the number of days for the execution of works on the ToR) according to the attached UNDP form;
- A detailed resume, including all previous experience and skills relevant to the assignment, as well as all the necessary contact information (email, phone, etc.);
- Copies of diploma/s.

Provision of the price (financial) offers and payment

The type of contract provided for this type of work/service is a contract in KZT with a fixed price (for the total amount), which includes all costs for the performance of work/services (in this case, fees and any other direct/indirect costs). The candidate's financial proposal must include all costs associated with the performance of these works/services, namely the cost of the daily rate, the number of working days, and any other costs provided for within the framework of this TK. Payment will be made in tranches after satisfactory performance of the expected results (see "Expected Results" and "Price offer volume and payment schedule" of this Terms of Reference and upon approval of the results by the UNDP Project Manager.

Criteria for selecting the best offer

The selection process will be based on a cumulative analysis method. With this method the contract shall be concluded with the consultant whose proposal is evaluated and defined as:

- a) appropriate/acceptable and
- b) best rated against predefined technical and financial criteria:

Technical criteria - 70%

Financial criteria - 30%

Approved by:

Syrym Nurgaliyev

Syrym Nurgaliyev
Project manager
Date: 09-Nov-2020

Abduvakkos Abdurakhmanov

Abduvakkos Abdurakhmanov
Programme Specialist and GEF Portfolio Manager
Date: 09-Nov-2020