

## **TERMS OF REFERENCE**

<b>Project title:</b>	National consultant for the preparation of an analysis of the electricity and heat energy market to identify direct and indirect subsidies.
<b>Duty station:</b>	Home-based
<b>Period:</b>	July-October 2021 (46 working days)
<b>Contract type:</b>	Individual contract
<b>Project number and name:</b>	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 the development of renewable energy and improve the investment climate, stimulate the active introduction of renewable energy facilities and increase investment in renewable energy sources.

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

### **OBJECTIVE**

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 production and distribution of electricity and heat at the country level and by region. This inventory should provide an overview of all existing schemes currently in force for both electricity subsidies (subsidy inventory) and an overview of all existing schemes that are currently used to provide incentives for additional investment in renewable energy (incentive inventory);

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 regions and country context, including but not limited to the following schemes:

Direct subsidies:

- Subsidies to households using electricity
- Subsidies per tonne of coal mined
- Operating subsidies for coal producers
- Subsidies for electricity consumed by mining companies
- Capital expenditure grants for extractive industries.

Sharing risks with the state:

- Budget discounts on electricity bills
- State insurance reserves of coal

- State Insurance of coal transportation
- State guarantees for loans attracted in the framework of capital projects of coal mining enterprises

Tax relief:

- Household tax deductions for electricity costs
- Preferential income tax rate for coal mining enterprises
- Reduction of excise taxes on fuel consumed by coal mining companies
- Tax subsidy for investments in coal mining companies.

Reducing other government fees:

- Reduced payment for subsoil use
- Reduced prices for government services and goods
- Tariffs for the use of land plots for coal storage have been reduced.

Transfers:

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

3. Determine and assess the impact of existing subsidies and incentives in the sector - transportation of fuel (coal) to power plants and other types of subsidies, as well as analysis of the impact of incentives to increase renewable energy sources, taking into account the emissions trading system in Kazakhstan;

4. Assess the impact of various types of preferences and incentives, if any, in the coal mining sector on the final consumer tariff;

5. Calculate and estimate the cost of electricity and heat for the end-user, excluding subsidies along the entire chain, from production to the sale of electricity and heat, taking into account the rate of return along the production-distribution chain - sales of 10%;

6. Calculate and estimate the possible amount of lost profits for the budgets of all levels, with constant subsidies for the industry;

7. Calculate and estimate the number of subsidies for vulnerable groups of the population (transition from general subsidies: non-targeted subsidies to targeted subsidies);

8. Analyze imbalances in the electricity and heat energy market and assess the impact of the allocated amount of subsidies on the further development of renewable energy sources with the following reduction in subsidies: 20%, 30%, 50%, 80%, 0%.

9. Conclusions and recommendations on changing and improving the practice of reducing subsidies for the production and consumption of electricity to create an optimal system of economic incentives for environmentally safe and efficient development of the energy sector, to help the Republic of Kazakhstan achieve the goal in accordance with the Paris Agreement. The report should include specific recommendations for exploring various incentives that can help reduce the risks of investing in renewables and help accelerate the energy transition and discuss the advantages and disadvantages of each option. The work should be presented to interested Ministries (energy/finance/economy), associations (industrial / energy, including renewable energy);

10. In addition, over ten percent of the assignment time should be spent discussing with an international consultant who will be hired to review the financial support mechanisms for the NAMA and DREI projects and to provide inputs. (if necessary), as well as comments and recommendations on the financial mechanism audit report. The consultants will provide detailed comments on both the draft and the final

version of the financial mechanism report and will endeavor to ensure that their report is written in a way that complements and supports the results of this work.

### **Expected results:**

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

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 in accordance with the TOR - Stages 1,2,3	8 weeks from the date of commencement of works (20 working days)	ICTA and Project Manager
2.	Completion form, cost calculations, and assessment of the effects of subsidies in accordance with the ToR - Steps 4.5	12 weeks from the date of commencement of works (12 working days)	ICTA and Project Manager
3.	Completion form report with conclusions and recommendations and calculations of the cost of profits, subsidies, and market distortions in accordance with the ToR - stages 6,7,8,9	16 weeks from the date of commencement of works (14 working days)	ICTA and Project Manager

### **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.

It is necessary to ensure compliance with the legislation of the Republic of Kazakhstan in the field of copyright and related rights.

All rights to work, including originals of documents and their copies, can be transferred to any third person by the decision of the Customer, and such transfer can be carried out directly to the third person and immediately upon completion and acceptance of all work, in accordance with this Terms of Reference.

The UNDP project reserves the right to amend the Terms of Reference (up to 20% of the content) but does not allow changes in the general essence of the assignment for consulting services and the cost of services under the Agreement.

### **Responsibility and accountability:**

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

- Coordinates his actions with the project manager and the chief international technical advisor (ICTA)
- Collaborates with the project's expert team.
- Ensures unconditional fulfillment of the requirements specified in the contract and terms of reference.

**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 the UNDP; the font used: Times New Roman, 12.

**Duration of work:** 4 months (46 working days)

**Place of work:** Home-based

**Required skills, work experience of the performer:**

- Higher economic/environmental / energy education or related technical fields;
- 10 years of experience in consulting and analyzing the improvement of tariff regulation systems in various spheres 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 field of energy/heat energy/transport in international audit companies.
- Skills of filing information and writing reports;
- Availability of a certificate of professional certification audit-related, if applicable;
- Experience in the preparation of analytical studies and methodological developments in the field of energy.
- Excellent knowledge and command of the Russian language; knowledge of English will be an advantage.

**Quotation volume and payment schedule:**

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

**Recommendations for submitting an offer**

The following documents must be attached to your proposal:

- 1) A duly completed and signed letter from the applicant to the UNDP, confirming the interest and readiness for the assignment of an individual contractor (UNDP form); The financial proposal must include all costs under the contract, with a detailed breakdown of costs according to the attached form (Attachments 4 - 5).
- 2) CV and/or completed P11 form (UNDP form), including all previous experience and skills relevant to the assignment, as well as all necessary contact information (email, phone, etc.) and three professional referees;
- 3) Methodology describing which approach will be applied and how the task will be performed.
- 4) Other documents confirming work experience, expertise, education, and skills (certificates of advanced training/diplomas, awards, etc.);

**Approved by:**

Syrym Nurgaliyev  
 Syrym Nurgaliyev  
 Project Manager  
 Date: 14-Jun-2021

Abduvakkos Abdurahmanov  
 Abduvakkos Abdurahmanov  
 GEF Portfolio Manager  
 Date: 14-Jun-2021