

An Overview on Investment in Renewable Energy Sector in Iran



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Iran is among the countries with most energy resources in the world. In addition to vast resources of fossil fuels such as oil and gas, Iran has a great potential in the field of renewable energies such as wind, solar, biomass and geothermal energy. Iran is also among the countries with specific objectives and policies in regard to renewable energy. In fact, the strategic plan of Iran in respect of the energy sector is optimized exploitation of fossil fuels and enhancing the exploitation of renewable energy in order to satisfy the growing need to energy in the country.

According to recent laws and regulations, the Organization of Renewable Energy of Iran (SUNA) under auspices of Energy Ministry of Iran purchases the power from investors concluding the Power Purchase Agreement (PPA) with SUNA, based on new feed-in tariffs for a period that has increased from 5 to 20 years. It also should be noted that feed-in tariffs differ by power plant technology type. The feed-in tariffs will be annually adjusted, but the adjusted tariffs will not be applied to the PPA already concluded.



As the first step of the procedure, foreign investors need to submit an application for project registration with SUNA. In order to apply for the registration, foreign investors need to register a company in Iran, as only “Iranian” persons may apply for the said registration. A company registered under Iranian laws shall be regarded as an “Iranian” company even if 100% of the shares is owned by foreign investors. They also may purchase shares of existing Iranian companies, which would be an applicant of the registration.

After it has been verified that the application meets the requirement, the construction permit shall be issued. It is noteworthy that more than 25% of the shares of the foreign investors holding the permit may not be transferred prior to commissioning.

Afterwards, the foreign investors need to acquire three different licenses including the Environmental permit, Grid Connection permit and Land permit. These permits shall be obtained within six months after the construction permit issued. If the applicant has obtained 2 out of 3 permits at the expiry of the period, it might be extended.

Only after obtaining the said three permits, the foreign investors may conclude the PPA with SUNA and construction of the power plant may commence. It should be noted that in order to apply the previously mentioned tariffs in regard to the PPA, it is required for the Bio Mass, Geothermal and Micro Hydro power plants to reach commercial operation within 30 months. The said period for Wind Farms and Solar power plants is 24 and 15 months respectively. If these periods have passed before starting of the commercial operation, the then-current feed-in tariffs would apply.

Notwithstanding these challenges, Iran is one of the most attractive market of renewable energies, with vast resources of renewable energies and governmental policies to support it.

It is evident that establishing a power plant requires proceeding with different legal stages and acquiring the essential licenses/permits. Accordingly, it is of the utmost importance to enjoy

legal consultation of the specialized legal experts in this field. In this regard, Bayan Emrooz Law Firm is ready to provide the investors with the required services in this sector.

I WOULD BE GLAD TO RECEIVE YOUR KIND REMARKS AND SUGGESTIONS IN ORDER TO COMPLETE MY ARTICLES IN THIS FIELD. FURTHERMORE, SHOULD YOU HAVE ANY QUESTIONS, PLEASE DO NOT HESITATE TO CONTACT ME.

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