

Wind energy in the Czech Republic & Bird & Bird

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Introduction

Section 1 – What you know already

Section 2 – What has happened recently

Section 3 – What will the future bring

Section 1 – What you know already

Support regime

- Feed-in tariff ("**FiT** ") for wind power plants commissioned in 2010 is **2,230 CZK/MWh (= 8.9 EURct/kWh)**
- Guaranteed for **20 years**
- Annual FiT increase between **2% and 4%**
- FiT for new plants to be connected may drop in 2011 (**max. 5%**)
- Connection and off-take are guaranteed by law

Regulatory timeline for the construction

- Entering into a contract on future grid connection with the local grid operator (EON, ČEZ or PRE)
- Obtaining the zoning decision (presupposes e.g. EIA or rezoning)
- Obtaining the construction permit
- Entering into a contract on grid connection
- *Kolaudace* (use permit)
- Obtaining the licence for energy generation
- Entering into the power purchase agreement

Major legal issues

- **Contract on grid connection:** only a signed contract secures the connection to the grid within a foreseeable period of time
- **Collateral securities:** banks require easements instead of lease agreements. Easement agreements very often lack certainty
- **Acquisition titles:** titles to lands have to be analysed for the past 10 years (term of acquisitive prescription)
- **Building permits:** authorities may issue decisions on an incorrect legal basis
- **EPC / O&M agreements:** track record of contractors might be insufficient for financing; special focus on the length of warranty periods for equipment

Project risks from construction to commissioning of the wind park

- Risk of non-issuance of necessary regulatory approvals:
- Risk of incorrect assessment by the authorities and modification of decision
- Unforeseen delays, unplanned cost overruns and failure of planned completion dates
- Exchange rate risk if, for example, currency of FiT does not correspond with the currency of loans
- Country risk, i.e. unstable political conditions or change or control (FiT cut-back)

Section 2 – What has happened recently

*“We are fed up with
these rat races”*

The Czech PV bubble burst...

Changes under the Act on Support of Electricity Production by Renewable Sources

- New FiT for 2011 (date of commissioning): cca. 22 ct/kWh
- New solar tax: withholding tax of 26% (FiT) or 28% (Green Bonus)
- Present 5y tax holidays: cancelled
- From 03/2011: no more support for new ground-mounted PV power plants
- Focus on solar power from photovoltaic rooftop systems or building-integrated photovoltaics (BIPV)
- Annual 5 MW cap

Consequences for wind energy

- 5y tax holidays cancelled
- Investor relations
- New projects?

Section 3 – What will happen in the future

*2,230 CZK/MWh**

Conclusions

- Stable conditions for wind energy
- Stable FiT
- Damages triggered by PV bubble burst are low
- Rising reputation

Thank you & Bird & Bird

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