

His Excellency Prime Minister of Ukraine Mr. Denys Shmyhal

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Acting Minister of Energy and Environmental Protection of Ukraine Mrs. Olga Buslavets

Advisor to the Prime Minister, Mr. Igor Maslov

21 May 2020

Dear Mr. Prime Minister,

We, a group of international investors with renewable power plants under operation and construction reaching **more than 2 GW** installed capacity, respectfully submit this letter as part of the investment community which has successfully supported Ukraine's economic growth over many years through our foreign direct investments.

Renewable energy has been one of the biggest FDI success stories in Ukraine, whereby **international companies including ourselves have invested approximately EUR 2.5 billion**. Importantly, we have also attracted the **world's leading international financial institutions and banks** to provide financing for these projects, including the European Bank for Reconstruction and Development, U.S. International Development Finance Corporation (DFC, formerly OPIC), Denmark's IFU, France's Proparco, Black Sea Trade and Development Bank, Finland's Finnfund, Sweden's Swedfund, FMO, Nordic Environment Finance Corporation, GIEK and others. Attracting less costly and longer-term sources of funding for renewable energy projects from international financial institutions is a crucial factor in achieving lower pricing for future projects in the Ukrainian energy sector.

Unfortunately, over the past several months the Government of Ukraine has made a series of announcements and has taken specific actions that threaten to put our investments in jeopardy. These include possible retroactive changes to the regulatory framework for the renewable energy sector. In addition, renewable energy producers have been experiencing material payment delays from the State Enterprise Guaranteed Buyer with only 10% of invoices being paid for the past several months. These issues raise significant concerns about Ukraine's attractiveness as a destination for foreign direct investments, not only for renewable energy but across all economic sectors.

We understand that the Ukrainian energy market is currently in a state of economic distress, and **we are ready to support you in stabilizing the financial situation** through the voluntary restructuring of feed-in-tariffs (FIT), thereby ensuring a smooth and successful transition to green energy auctions and an alleviation of the Guaranteed Buyer's precarious financial position. We look forward to achieving a compromise and to signing a memorandum that would respect investors' rights and would foresee the steps to achieve a comprehensive reform of the electricity market.

At the same time, we would like to **highlight certain principles** and key parameters of such a restructuring, which are of critical importance for each of us:

1. **Payments to RES producers:** The State must ensure the repayment of arrears that have accrued since the beginning of the year within an agreed time period and the timely payment of future receivables. This should be achieved with the proper financing of the Guaranteed Buyer via the TSO transmission tariff or other sources and no later than 31 December 2020. Any further delay of payments would require negotiation of special terms.
2. **FIT restructuring for power plants commissioned in 2017-2019:**
 - **Solar:** with 2-year power purchase agreement (PPA) extension, projects with installed capacity more than 10 MW – 15%, less than 10 MW – 12.5%; **Wind:** with 2-years PPA extension 7.5%.

3. FIT restructuring for power plants commissioned in 2020-2022:

Considering that this group of power plants was already impacted in 2020 with 25%/10% solar/wind FIT reductions based on the current law:

- Option 1 - no FIT reduction; no PPA extension; no stabilization clause; no balancing cap; 50% balancing responsibility from 2021, 100% from 2022; 10% forecast tolerance margin for wind (5% for solar);
- Option 2 - minus 2.5% from the 2020 FIT; no PPA extension; improved PPA with stabilization clause; 50% balancing responsibility from 2021, 100% from 2022; balancing cost cap of 3.6 EUR/MWh (multiplied by monthly electricity generation in MWh); 5%/10% forecast tolerance margin for solar/wind).

4. Construction under FIT:

- Cut-off date for solar shall be July 2020 with potential extension by 1 month due to the quarantine;
- Wind investors will complete active projects with no PPA extension until end 2022.

5. Imbalance responsibility:

- There should be no change in law regarding the forecast tolerance margin which shall remain at 10% (wind) and 5% (solar) without any limitations in time. (Please note that a tolerance being equal to zero is not seen in any European country and will be seen as disguised tariff reduction);
- Should the Government want to accelerate the responsibility of imbalances of RES producers, the monthly balancing cost needs to be capped at €3.6/MWh multiplied by the amount of monthly electricity generation.

6. Curtailment: there should be no free curtailment.

7. Stabilization clause:

- The State should guarantee that the updated PPA will be governed by the laws and regulations which were in force on the effective dates of the original PPAs and that there shall be no further changes to the FIT support system, taxes, regulatory framework (including PPAs) or any other such changes that would negatively impact the revenues, costs, value and IRR of the RES facilities than will have been agreed in the current feed-in tariff restructuring. Such provisions should be an integral part of the legislation and should also be reflected in the PPA.

Please consider that we have been in a formal mediation process with the Government since October last year, which has been led by the European Energy Community. Through this process we have already made numerous proposals with compromises on how to restructure the FIT support regime and to improve more generally the financial stability of Ukraine's energy system. While our efforts and intentions have been as fully constructive as possible, any deviations from the abovementioned "redlines" would most unfortunately result in project defaults with financing parties, in which case we would be obligated to protect our investments through legal recourse and to seek protections under international treaties to which Ukraine is a party. In this event, it would be exceptionally challenging for our shareholders and lenders to consider any further support of investments in Ukraine.

We appreciate the attention you have already dedicated to these matters and respectfully request a follow up meeting with you in order to finalize the mutually acceptable terms of an agreement with the Government, which would be readily acceptable for Parliament. In this respect, we are most keen to

contribute constructively toward resolving Ukraine's current energy crisis and to facilitate further investments in the energy sector of Ukraine.

Respectfully,

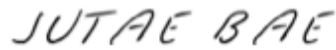
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Green Genius
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