

“Enabling PV Iran”

Solar Business Conditions

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Solar Business Conditions in Iran

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Introduction to Solar Business in Iran

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- Iran significantly increased the feed in tariff for solar energy. Therefore the country will be more attractive for foreign investors. However, the **current challenge is to bring the financing on their own.**
- The **goal** of the Ministry of Energy to **increase the share of renewables** to 5000 MW until 2018 is **ambitious, considering the slow development of renewable energy so far.**



Trade Conditions & Restrictions

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BAFA Permission (Bundesamt-fuer-Wirtschaft-und-Ausfuhrkontrolle): necessary for the export of goods from Germany to Iran.

- **For all exported components it is necessary the BAFA permission.**
- Before applying for that permission, it is necessary to **register the request on Customs by the Tax Office in Germany to get a registration number (EORI-Number)** which should be declared to BAFA.
- If the order is **higher than one million Euro**, then you need to ask **extra permission from the Ministry of Economy in Germany.**
- The whole process could last up to **7-9 weeks.**
- The **BAFA permission is necessary for every single project** (even if the same investors are requesting). The first application takes approx. 2 months, the next applications will take less time.



Trade Conditions & Restrictions

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Iran Custom Procedures – tax payment:

- Each product has its own custom tariff which is defined every year (Iranian Calendar!) in a list.
- You need to check the tariff according to this list.
- The power plant owner can register the project with the Ministry of Trade and Industry to get a permission for costume tariff discount up to 5%.



Securities and Insurances

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1- There is **no investment insurance coverage for foreign investment** in Iran (by Iranian Insurance Companies) **due to lack of experience** in this regard

2- Currently there is **normal liability Insurance coverage for fossil fuel power plants**. It is **possible to extend this to the renewable energy power plants**.

Possibilities

3- On the other side, there is “**FOREIGN INVESTMENT PROMOTION AND PROTECTION ACT (FIPPA)**” law in Iran which could **protect politically the whole investment process**.

Current Options

4- Additionally, **the payment process would be guaranteed by the Ministry of Energy sealed with bank guarantee (in Rials)**.

Payment Procedures / Money Transfer

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- The **payment** should be done in **Rials (with a 6 months bank guarantee (LC) from the Ministry of Energy)**. This Guarantee will be extended every 6 months
- All **delayed payments would cause penalty** (after 1 month)
- **Money transactions** (during the sanction), can be done through **“Exchange Offices”**. These offices are licensed by the IRAN Central Bank
- Another option is **via an Iranian Partner**: transactions through an Iranian Partner (That’s one of the main important aspects of having Iranian partner as well!)
- **After removal the sanctions, the whole procedure could be done over a bank account in Iran and swift process.**



Loans , Assurances and other related Topics

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- Currently **there are no specific bank loans for renewable power plants.** Nevertheless the **investors should apply to banks for the possibility of obtaining financial facilities** for renewable energy power plants.
 - SUNA will arrange the financial resources for purchasing electricity from renewable energy plants.
- **Currently** there are **no legal deductions** (Tax & VAT, social security) applicable to payments against invoices.
- **No advance payments** will be made for the purchase of electricity.
- The **purchase price** for the coming year will be set based on changes in costs and other effective elements and country's general policies. **The price indicated in the contracts cannot be changed.**
- To assure proper performance of the power plants, **investors are advised to use services of competent local or foreign consulting engineers.**



Market Entry – Opportunities

- Excellent natural conditions, e.g. high sunshine rate and a favorable climate for photovoltaic electricity production, possibly reaching double the solar potential than in Europe.
- Attractive feed in tariffs.
- Political determination to reduce fossil fuel subsidies
- The solar PV installation market is relatively well developed with a dense distribution network and experienced installers possessing good expertise. Opportunity to improve the market through trainings.
- Quality products, especially PV equipment made in Germany, are well received on the market.
- High electrification rate, enabling PV installations to be connected to the grid in most areas of the territory.

Market Entry – Risks

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- Consumers are not aware of the benefits of solar technologies.
- Economic relative instability of the country (mostly due to inflation, currency devaluation and budget deficits etc.)
- Uncertainty of the exact date of the sanctions removal (time, scope, countries of origin, snap back etc.)
- Sovereign rating currently not existing and the new one could be lower than expected.
- Ratings for local banks could also be lower than expected. Consequently, deferred payment letters of credit might no longer accepted by banks in the exporting country.
- Employment rules, e.g. potential difficulties in reducing local staff.



Market Entry – Risks

- Retroactive change of guaranteed feed-in tariffs could undermine business case.
- Lengthy legal procedures that slow down the development of projects.
- Sometimes arbitrary character of grid connection authorizations and insufficient national standards for grid connection and photovoltaic installation connections.
- Language barriers.
- Different corporate cultures.

Market Entry – Recommendations

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- **Have an Iranian Partner.**
- Investment are expected be done by the non-governmental sector, so in addition to private companies, cooperative companies and real persons and civil partnership groups may also apply for construction permit and concluding contract.
- It is not only **prohibited to transfer the title to construction permit from one beneficiary to another, but it is also prohibited to transfer more than 25% of the share of the company to others without permission of the Ministry of Energy.**
- **Applicants should inform SUNA about the site selection.** SUNA will check if this land is “free” or already reserved by other applicants.
- It is important to note that the borders between personal relationships, community and business are blurred. When operating in Iranian territory this is important to consider.
- In Iran, the reputation of German Material and companies is good. That’s way the Iranian companies wants to work with German companies.



Usefull Institutions and Links

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- SUNA (www.suna.org.ir)
- OIETAI (www.investiniran.ir)
- German-Iranian Chamber of Commerce (www.Iran.ahk.de)
- BSW (www.Solarwirtschaft.de)
- BMWI (www.bmwi.de)
- BAFA (www.bafa.de)





Thank you for your Attention!