

LAW OF MONGOLIA ON RENEWABLE ENERGY

CHAPTER ONE

GENERAL PROVISIONS

Article 1. The Purpose of the law

1.1. The purpose of this law is to regulate relations concerning generation of power using renewable energy sources and its delivery.

Article 2. Legislation

2.1. Legislation on renewable energy shall consist of the Energy Law¹, this law, and other laws and legal acts adopted in conformity with them.

2.2. If the International Treaties to which Mongolia is a signatory provide differently than the present Law, then the former shall prevail.

Article 3. Application framework of the law

3.1. This law shall apply to legal entities that generate and deliver electricity and/or heat using renewable energy sources within the territories of Mongolia.

3.2. Unless otherwise stated in laws, this law shall not regulate relations concerning use of renewable energy power sources designed for consumer's own supply.

Article 4. Definitions of legal terminology

4.1 The following terms used in this law shall have the following meanings:

4.1.1 “**Renewable energy sources**” means natural restorable renewable sources such as solar, wind, hydropower, geothermal and biomass;

4.1.2 “**Biomass**” means plant and organic waste;

4.1.3 “**Renewable energy power source**” means a facility which converts renewable energy sources stipulated in provision 4.1.1 of this law into electricity and/or heat;

4.1.4. “**Renewable energy**” means electricity and/or heat energy produced by a facility stated in provision 4.1.3 of this law;

¹ Energy Law- 'State Information' Gazette No. 6, 2001

4.1.5. “**Stand alone renewable energy power source** (hereinafter Stand alone power sources)” means hybrid and/or non-hybrid renewable energy power sources not connected to the Grid;

4.1.6. “**Generator**” means a licensee for generation of electricity and heat specified in provision 13.1 of the Energy Law;

4.1.7. “**Transmitter**” means a licensee for transmission of electricity and heat specified in provision 14.1 of the Energy Law;

3.1.8. “**Consumer**” means a natural or a legal person specified in provision 3.1.13 of the Energy Law;

CHAPTER TWO

FULL POWERS OF STATE AUTHORITIES

Article 5. Full Powers of State Authorities with regard to Renewable Energy

5.1. The State Ikh Hural shall define state policies on renewable energy and make decisions on transferring stand alone power sources, construction of which was financed by the state budget, to local properties.

5.2. The Cabinet shall organize implementation of laws and legislation on renewable energy and approve a list of soums, consumers of which will be supplied by stand alone power sources.

5.3. The State Administrative Authority in charge of energy shall exercise the following full powers:

5.3.1. Develop and implement state policies on renewable energy,

5.3.2. Carry out feasibility studies and develop investment cost estimates for constructing renewable energy power sources to be financed by the state budget,

5.3.3. Draft standards on operation, safety and maintenance of renewable energy equipment and have them approved in compliance with relevant procedures;

5.3.4. Develop a policy on preparing human resource in a renewable energy field and implement the policy in collaboration with the state administrative authority in charge of education;

5.3.5. Develop and approve rules and procedures on implementing the renewable Energy Law.

5.4. Governors of Aimags, the Capital City, Soums and Districts shall exercise the following full powers:

5.4.1. Include locations for constructing renewable energy power sources in aimag, capital city, soum and district land development plans;

5.4.2. Make a decision on possessing and using land for location of renewable energy power sources in compliance with laws and regulations;

5.4.3. Advertise importance of using renewable energy power sources to entities institutions and residents, and

5.4.4. Rent renewable energy power sources belonging to local properties to individuals and legal entities.

5.5. Energy Regulatory Authority shall exercise the following full powers:

5.5.1. Review tariff applications of a generating licensee that uses a renewable energy power source connected to the grid in accordance with Article 11 of this law;

5.5.2. Approve a sample agreement to be concluded by and between a transmitter and a generator that uses a renewable energy power source and monitor the contract implementation.

CHAPTER THREE

LICENSE

Article 6. Construction of a Renewable Energy Power Source

6.1. A legal entity interested in constructing a renewable energy power source shall obtain a license for construction of energy facilities specified in Article 20 of the Energy Law;

6.2. A licensee stated in provision 6.1 of this law may hold a license for generation;

Article 7. A License for Generation of Renewable Energy

7.1. A legal entity interested in generation of renewable energy shall obtain a license for generation of electricity and heat in compliance with provision 13.1 of the Energy Law;

7.2. A generator of renewable energy to be connected to the Grid shall have the following rights and duties:

7.2.1. Deliver its electricity to the nearest connection point of transmission network,

7.2.2. Be responsible for financing the cost of power transmission from the renewable energy power source till the connection point of the transmission network,

7.2.3. Follow regime requirements by a licensee for dispatching regulation.

7.3. A generator using a stand alone power source shall have the following rights and duties:

7.3.1. Deliver produced electricity to distribution network using a calibrated meter, and

7.3.2. Be compensated for a price difference resulted by sales of renewable energy to consumers of respective areas specified in their licenses from the Renewable Energy Fund.

7.4. Provision 7.3.2 of this law shall not apply to generators using renewable energy power sources constructed by public investment.

7.5. A generator of renewable energy using a stand alone power source shall be a holder of a license for regulated supply.

7.6. A generator of renewable energy using a stand alone power source may hold a license for unregulated supply.

Article 8. Transmitter's Duties

8.1. A transmission licensee shall have the following duties:

8.1.1. Purchase power from a generator at tariffs approved in compliance with Article 11 of this law,

8.1.2. Connect a generator to transmission network's switch gears in compliance with technical requirements, expand and be responsible for its financing;

Article 9. Obtaining a License

9.1. An interested legal entity shall submit an application for a license for constructing a renewable energy power source and/or for a generation license to the Energy Regulatory Authority or relevant regulatory boards of aimags and capital city,

9.2. The following documents shall be attached to the application stated in provision 9.1 of this law in addition to documents specified in 21.2 of the Energy Law:

9.2.1. A notarized copy of land possession certificate obtained for locating a renewable energy power source,

9.2.2. A plan for reprocessing and/or disposing accumulators with completed useful life being used in a renewable energy power source,

9.2.3. Studies on soil, flora, geological and hydro-geological conditions, geographical location, land surface, air pressure, weather, wind regime, and water study for cases of constructing facilities which will use hydro sources,

9.2.4. A statement issued by an authority with regard to compliance of equipment, technology and facilities of a renewable energy power source with national and international standards,

9.3. The subject matters related to issuance of a license, amendments and additions to and renovation of a license, suspension and termination of a license, extension of license terms, and obligations of a licensee shall be regulated by the Energy Law.

Article 10. Power Purchase/Sale Agreement

10.1. A power purchase/sale agreement between a generator and a transmitter shall be concluded in accordance with a sample agreement approved by the Energy Regulatory Authority.

10.2. An agreement stated in provision 10.1 of this law shall specify power capacity to be generated and delivered, quality standards, amount, tariff, duration, location of meters and measuring devices, their type, model, accuracy, coefficients, ID numbers, terms of electricity payment and settlement, justifications for contract termination, responsibilities and liabilities of contract parties.

CHAPTER FORE

PRICE AND TARIFF

Article 11. Renewable Energy Price and Tariff

11.1. The Energy Regulatory Authority shall set tariffs of energy generated and delivered by a renewable energy power sources connected to the grid within the following limits:

11.1.1. US\$ 0.08-0.95 per kWh of electricity generated and delivered by a wind power source,

11.1.2. US\$ 0.045-0.06 per kWh of electricity generated and delivered by a hydro power plant with capacity of less than 5000 kW;

11.1.3. US\$ 0.15-0.18 per kWh of electricity generated and delivered by a solar power source.

11.2. A tariff difference of renewable energy power sources specified in provision 11.1 of this law shall be absorbed in tariffs of other generating licensees connected to the grid.

11.3. The Regulatory Boards of aimags and capital city shall set tariffs of energy generated by stand alone power sources within the following limits:

11.3.1 US\$ 0.10-0.15 per kWh of electricity by a wind power source,

11.3.2. US\$0.08-0.10 per kWh of electricity by a hydropower plant with capacity of less than 500 kW;

11.3.3. US\$0.05-0.06 per kWh of electricity by a hydropower plant with capacity of 501-2,000 kW;

11.3.4. US\$0.045-0.05 per kWh of electricity by a hydropower plant with capacity of 2,001-5,000 kW;

11.3.5. US\$ 0.2-0.3 per kWh of electricity by a solar power source.

11.4. The Regulatory Boards of aimags and capital city shall consider the following conditions in setting tariffs of stand alone power sources:

11.4.1. Geographical location, infrastructure development, socio-economical development in the particular region,

11.4.2. Affordability of consumers.

11.5. The Energy Regulatory Authority shall set prices for renewable energy generated by a renewable energy power source that uses geothermal energy and biomass and renewable energy sources other than specified in provisions 11.1 and 11.3 of this law considering the social impacts of such prices.

Article 12. Effective Period of Price and Tariff

12.1. The prices and tariffs of renewable energy shall be effective and stable for a period of not less than 10 years since the validation of this law.

CHAPTER FIVE

RENEWABLE ENERGY FUND

Article 13. Renewable Energy Fund

13.1. The Law on Government's Special Funds² shall regulate relations concerning establishment of the Renewable Energy Fund, generation and disbursement of the fund sources and reporting.

² Law on Government's Special Funds – "State Information" Gazette, no. 27, 2006.

CHAPTER SIX

MISCELLANEOUS

Article 14. Dispute Resolution

14.1. A dispute between a generator of renewable energy and a transmission licensee or between a licensee and a consumer shall be resolved in compliance with procedures stipulated in the Energy Law.

Article 15. Liabilities to be Imposed for Violation of Law

15.1. If a breach of legislation on renewable energy does not constitute a criminal offense, a judge or state inspector on energy supervision shall impose the following penalties:

- 15.1.1. Imposition of fines of MNT 250,000 on a transmitter for violation of provision 8.1.2 of this law;
- 15.1.2. Imposition of MNT 50,000 on officials for violation of provision 7.3.2 of this law resulted by refusal to pay compensation without reasonable justifications and /or inhibition of such payments.

Ts. Nyamdorj
Speaker of the State Ikh Hural

LAW ON AMENDING THE ENERGY LAW OF MONGOLIA

Article 1. Add the following provision in the Energy Law:

- 1. In provision 2.2:
 - 2.2. Relations concerning generation and delivery of renewable energy using renewable energy sources shall be regulated by a special law.
- 2. provision 3.3 of Article 11:
 - 11.3.3. Approve electricity prices and tariffs of relevant licensees and report to public using means of mass media.

Article 2. This law shall be effective from the validation of the Renewable Energy Law which was approved on Jan. 11, 2007.

Ts. Nyamdorj
Speaker of the State Ikh Hural

LAW ON AMENDING THE LAW ON GOVERNMENT’S SPECIAL FUNDS

Article 1. Add the following provisions into the Law on Government’s Special Funds:

1. Article 21¹ :

Article 21¹ . Renewable Energy Fund

21.1.¹.1. The Renewable Energy Fund shall be generated from the following sources:

21¹.1.1. 50% of proceeds assigned to state and local property entities and institutions from selling the certified greenhouse gas reduction to other countries in compliance with the Kyoto Protocol to the United Nations Framework Convention on Climate Change;

21¹.1.2.other revenues.

21¹.2. The Renewable energy Fund’s sources shall be disbursed for the following purposes:

21¹.2.1. Compensate stand alone power sources for a price difference as stipulated in provision 7.3.2 of the Renewable Energy Law;

21¹.2.2. Prepare professional trained staff in the field of renewable energy;

21¹.2.3. Carry out research works aimed at introducing new techniques and technologies in renewable energy generation and use;

21¹.2.4. Assess reserves of renewable energy sources

2/ provision 5.4.22:

“5.4.22. Renewable Energy Fund

3/ provision 6.4.12:

“6.4.12. Renewable Energy Fund

Article 2. Add “5.4.22” after “5.4.21” in provision 29.1.1 of Article 29 of the Law on Government’s Special Funds.

Article 3. Change provision 5.4.22 in Article 5 as 5.4.23, 5.4.22 in Article 29 as 5.4.23 and 5.4.22 in Article 31 as 5.4.23.

Article 4. This law shall be effective from the validation of the Renewable Energy Law approved on Jan. 11, 2007.

Ts. Nyamdorj
Speaker of the State Ikh Hural