Iran solar incentives

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On 16 January 2016, the Implementation Day, the economic and financial sanctions against Iran were eased and partly lifted. This opens up new investment and sales opportunities in Iran, in particular with regard to renewable energy technologies.

The parliamentary elections held on 28 February 2016, which significantly strengthened the position of President Hassan Rouhani and his supporters from the moderate faction, have shown that the opening of the Iranian market is also backed by the Iranian people.

Until today, the Iranian power market has been shaped mainly by conventional energy sources. Not at least, this is a consequence of the fact that Iran holds large crude oil and natural gas reserves. Moreover, it was not before 2013 that the first nuclear power plant with a capacity of 700 MW in Bushehr became fully operational. According to plans, two more reactors will be built on the site of the Bushehr nuclear power plant, each with a capacity of 1000 MW.1

The supply of electricity in Iran is in the state"s hand and the responsibility of the Ministry of Energy, with the state-owned Tavanir holding company operating under the auspices of the Ministry of Energy. One of Iran's five institutions that were assigned special tasks is "Renewable Energy Organization of Iran" (SUNA), a state enterprise responsible for organising and promoting the development of renewable energies.

The installed capacity of renewable energies was 10.4 GWel and is mainly attributable to hydro power. Deep geothermal energy does not play any significant role in Iran yet but it is a very promising source of energy (its economic potential is estimated at about 35.7 GWel).

Within the framework of the sixth five-year development plan (2016 to 2020), the Iranian government wants to increase the share of renewable energies up to 5,000 MW el of installed capacity (excluding hydro power) until 2020. The government intends to achieve this goal by guaranteeing the purchase of power also from non-state power plants at special feed-in tariffs. The potential production volume from renewable energies per year is allocated as follows:

In addition, Iran has a high electrification rate (98.4 %), which enables connecting PV plants to the grid in most of the regions.2 In 2014, the Iranian government invested a total of USD 60 million in solar projects.3

Fixed feed-in tariffs are supplemented, on the one hand, by payments under the National Development Fund of Iran, which cover part of the capital costs incurred for infrastructure projects. The eligibility criteria are being currently revised and, of course, the pool of available funds is limited.

On the other hand, a special duty on electricity is charged by TAVANIR, a state-owned enterprise fulfilling various functions in the power sector, and added to every electricity bill. This system virtually follows the allocation mechanism provided for in the EEG [German Renewable Energy Sources Act]. It is charged at a rate of IRR 30 (about 0.089 eurocents) per kWh and is intended to be spent on the expansion of the electricity supply system in rural areas and on generating electricity from renewable energies.

Iran offers good market entry opportunities for German technology suppliers and project planners, also because "Made in Germany" is deemed to be a true quality label in Iran.

Note: Our local and international expertise in the areas of legal & tax advice, audit and accounting enables us to offer our Iran clients comprehensive services from a single source - be it for example a market entry or the expansion of a business model.

As of now, exporters may again apply for "Hermes cover" guarantees in order to secure their business transactions. Basically, also the assumption of investment guarantees has become possible, again.5

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