

Waste-to-Energy Projects in Kazakhstan

Strictly Confidential



2020

本件担当者連絡先:
在日カザフスタン大使館
Eldar SYZDYKOV (Mr.)
Tel: 03-3589-1821
Mail: e.syzdykov@mfa.kz

Waste-to-Energy in Kazakhstan – an Opportunity for a Strategic Investor

Overview of the Project

PlanetCare Management is a Kazakhstan-based company operating in waste management. It collects, transports, sorts, recycles and landfills more than 97% of the municipal solid waste (MSW) in Nur-Sultan (the capital city of Kazakhstan).

The company plans to participate in a project to construct and operate Waste-to-Energy (WtE) plants across the country. This is a new sector for Kazakhstan, and the State plans to ensure the construction of **7 WtE plants** in Nur-Sultan and 6 other large cities.

To ensure the investment attractiveness of the sector, the State is considering favorable amendments to legislation (scheduled to be completed by September 2020). The State will initiate an auction to select a strategic investor and the auction winner will sign a **15-year Power Purchase Agreement** to supply the electricity generated from the waste to the national energy system at a special “**green**” **feed-in-tariff**. The Ministry of Ecology will set an upper tariff value, and the auction participants will submit bids based on their proposed tariffs. Auctions have been successfully used in Kazakhstan’s renewable energy since 2017.

The State will also ensure a stable supply of municipal solid waste to the plants and will set emission limits in line with European standards.

Criteria for a Strategic Investor

PlanetCare Management is looking for a joint venture partner (strategic investor) to construct Waste-to-Energy plants across Kazakhstan with total annual capacity of **up to 1.5 million tonnes** of MSW. The strategic investor is expected to have relevant, successful **experience** in the construction of Waste-to-Energy plants (as an investor), and to own and operate a number of similar plants in its portfolio.

PlanetCare Management is prepared for a strategic investor to hold a **controlling stake** in the joint venture SPV and to be the lead- partner in the project. The strategic investor is assumed to be the partner responsible for selection of technology and other related technical and operational aspects of the project.

A company which provides relevant technology or equipment may also be an attractive joint venture partner, but it would need either to co-invest or bring an additional financial partner.

PlanetCare Management is also ready to co-finance the project and transfer its MSW related-assets in Nur-Sultan to the joint venture SPV company if appropriate.

Samruk-Kazyna, the sovereign wealth fund which owns and operates the key national companies in Kazakhstan, with total asset value of \$60 billion, is also interested in participating in the joint venture.

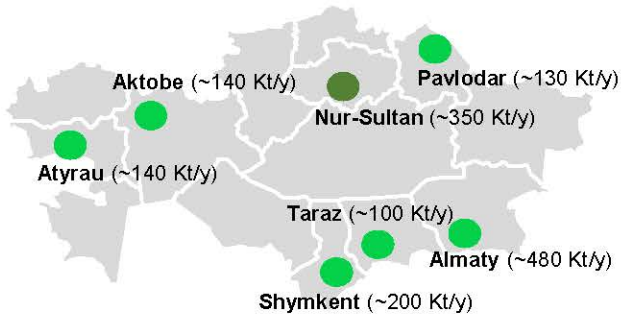
WtE projects in Nur-Sultan and other cities in Kazakhstan

New Waste-to-Energy Sector in Kazakhstan

Project Description

Construction of up to 7 plants in Nur-Sultan, Almaty, Shymkent, Pavlodar, Taraz, Atyrau and Aktobe for MSW incineration with electricity generation

Total annual capacity of 7 plants – up to 1.5 million tonnes of waste (*indicative volumes*)



The Government is developing a framework to support waste-to-energy projects at the legislative level:

- WtE projects to be granted a competitive “green tariff” with 15-year PPAs to be officially revealed in an auction process
- Each city’s administration to be obliged to support continuous supply of MSW to the plants

There is also an opportunity to sign an investment contract with the Government to secure tax and custom incentives

Nur-Sultan Project

Nur-Sultan is the first city where the auction is planned to be held (further actions are planned to be held in other 6 cities in Kazakhstan)

Nur-Sultan is the capital of Kazakhstan, with a population of 1.1 million growing by 5-7% a year

The Astana International Financial Center (AIFC) opened in 2018 to become a hub for financial services in Central Asia, with separate commercial jurisdiction based on English law, and various tax privileges provided to its members. The SPV can be established at the AIFC site or elsewhere

Successful Experience in Renewable Energy:

The same mechanism of state support and long-term PPAs has been successfully applied in the renewable energy sector. More than 90 renewable energy projects have been launched in Kazakhstan with total installed capacity of 1,050 MW

Electricity volume generated by renewables continues to grow (million kWh):



Kazakhstan

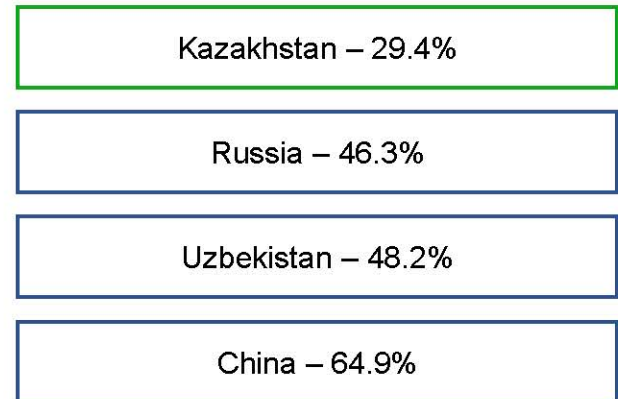
Favorable Investment Climate

Kazakhstan’s GDP in 2019 is \$170 billion
Ranked 25th in the World Bank’s 2020 Doing Business Index:

- 4th in Contract Enforcement
- 7th in the Protection of Minority Investors’ Rights
- 31st on the Human Capital Development index

Most Favorable Tax Regime in the Region

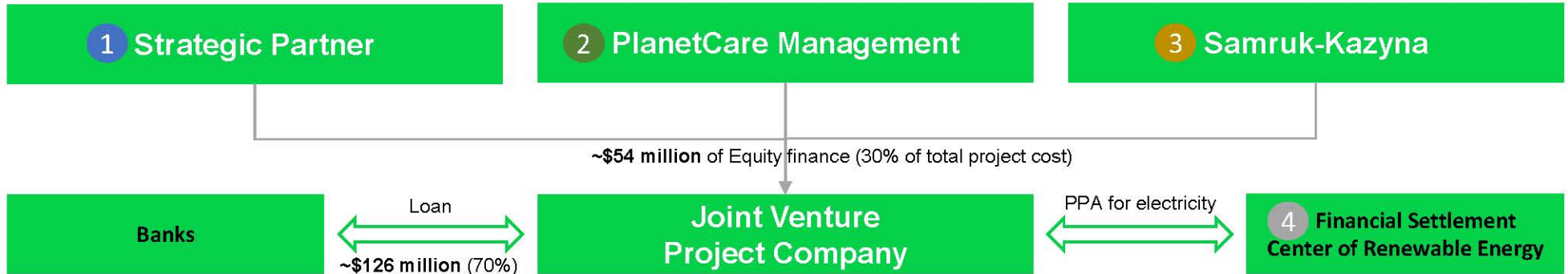
(total tax and contribution rate as % of profit)



Standard corporate income tax rate 20% and VAT rate 12%. There is an opportunity to secure tax advantages for WtE projects

Potential Model for Joint Venture Cooperation

(estimated project cost for WtE plant in Nur-Sultan ~ \$180 million)



1 Strategic Partner (investor)

- A company with relevant success in construction and operation of Waste-to-Energy plants worldwide (as an investor)
- A company with similar plants in its portfolio and readiness to expand its business into Kazakhstan
- May hold more than 50% interest in the JV (controlling stake)
- Invests into the project equity capital reflecting its pro rata share in JV
- Responsible for, technical and operational issues related to construction and maintenance of the plant
- Ensures the JV fulfils all obligations to the state, including emissions control

2 PlanetCare Management (local partner)

- Manages MSW cycle in Nur-Sultan: transportation, sorting, recycling, landfill
- Ready to transfer its MSW management assets in Nur-Sultan to JV
- Holds a leased plot of land suitable for WtE
- Invests capital into the project equity pro rata its share in JV
- Responsible for government relations and all regulatory matters

3 Samruk-Kazyna

- National state-owned welfare fund
- Owns and manages most state companies (oil & gas, uranium, industrial, railway & aircraft transportation, telecoms and other sectors)
- Committed to sustainable development projects in Kazakhstan

4 Financial Settlement Center of Renewable Energy

- The Government will hold auctions to select investors for Waste-to-Energy projects and will authorize KEGOC, the state-owned company, to conclude a 15-year Power Purchase Agreement at an auction-based feed-in-tariff
- KEGOC JSC is a subsidiary of Samruk-Kazyna
- The auction mechanism has already been successfully applied in the renewable energy sector. More than 90 renewable energy projects have been launched with total installed capacity of more than 1GW

PlanetCare Management LLP Group of Companies

Group Profile

Purpose

Effective operation of, and investment in, waste management, green economy and other related sectors

Year Established

2017.

Investment policy

Implementation of best available technologies in waste management and the green economy sector, becoming a strategic and/or financial investor in those projects

Sustainable Development

The Group is an active member of the following organizations:

- Association of Ecological Organizations of Kazakhstan
- Association of Waste Management Organizations
- International Green Technologies Center

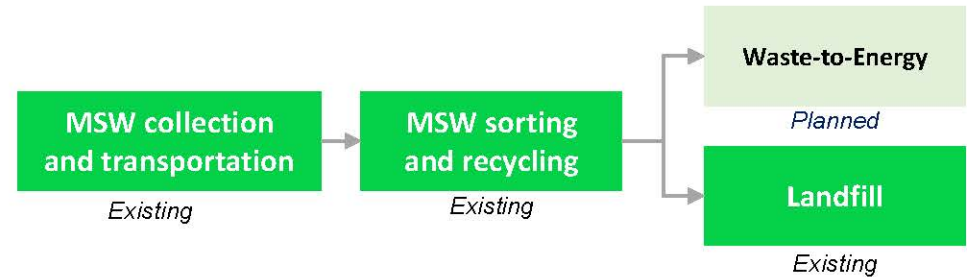
Experienced Leadership Team

- **Nurlan Rakhmetov** – CEO, over 20 years experience in Government and SOE, IE Business School (GX MBA)
- **Nurlan Akhazaripov** – COO, over 20 years experience in SOE and private sector in oil & gas and finance sectors
- **Yersain Ospanov** – CLO, 15 years experience in SOE, private companies and consulting, Warwick Business School
- **Zhanna Klyumova** – CFO, over 10 years international experience in SOE and private companies, INSEAD (MBA)
- **Yelzhas Otynshiyev** – CBDO, over 10 years experience in SOE and consulting, Moscow MIPT

Experience

1 Municipal Solid Waste Management in Nur-Sultan (1.1 million population)

- Full-cycle WSW management (*from dumpsters to landfill*)
- Collection of more than **97%** of the city's waste (*>350 kt p.a.*)
- The only active landfill in the city (*full compliance with requirements*)



2 Industrial Waste Recycling

- Automobiles – up to 50,000 p.a.
- Car tires – up to 5 kt p.a.
- Motor oil – up to 6 kt p.a.

3 Other Assets – education, wellness and IT

