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Can Islamic finance solve Kazakhstan's renewable energy growth problems?

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As the Central Asia's largest and richest country, Kazakhstan has a lot of natural advantages for the development of renewables, including 3,000 hours of solar radiation a year and the average annual wind speed of nine meters per second in some parts of the country.

Moreover, Kazakhstan seems to have strong political will to attract investments in renewable energy projects as demonstrated by Kazakhstan's official general policy. The government of Kazakhstan, for instance, made an official commitment to increase the share of renewable energy in domestic electricity generation to 30% by 2030 and 50% by 2050.

Finally, Kazakhstan generally has, with some caveats discussed in the following, a good legal and institutional framework for the development of renewables. Kazakhstan has switched from the fixed feed-in tariff support system to the mechanism of auctions to develop renewable sources of energy from the 1st January 2018. The auction system will make the process of granting renewable energy projects open and transparent and will give impetus to the implementation of the most cost-effective projects.

The first auction is envisaged to take place this May 2018. Despite all of the aforementioned advantages, the largest wind and solar projects developed in Kazakhstan so far (eg the Yereymentau wind farm in north-central Kazakhstan and the Burnoye solar power plant in southern Kazakhstan) have been financed by Kazakh state companies and international development banks.

KAZAKHSTAN

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