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Government incentives

Each of the markets that we expect to operate in has established various incentives and financial mechanisms to support the cost and to accelerate the adoption of renewable energy. These incentives help catalyze private sector investments in renewable energy and efficiency measures. Set forth below is a summary of the various programs and incentives that we expect will apply to our business.

China

In recent years, the NDRC has initiated feed-in tariff programs for both solar and wind energy. Under these feed-in tariff programs, eligible solar and wind projects are entitled to receive a special tariff, the amount of which is set by NDRC policy and which may vary based on the type of project (in the case of solar, for example, utility-scale versus distributed generation projects; in the case of wind, onshore versus offshore developments), geographical location of the project and the date on which it commenced construction. Once a solar project qualifies for a particular tariff, the project is entitled under NDRC policy to continue to receive the tariff for a period of 20 years from its COD. The special tariff remains constant, but consists of two components which may themselves change. One component is set to equal the prevailing rate that grid companies pay for base-load, desulphurized coal power (thus it is subject to change, though this base rate is currently determined by policy rather than market pricing and in recent history has not been subject to substantial fluctuations). This base load component is paid directly by the grid companies to the solar or wind energy project. The other component, called the "green component," makes up the difference between the total special tariff and the prevailing base-load rate.

The "green component" of the tariff is paid from a "renewable energy development fund" administered by China's Ministry of Finance, which in turn collects a surcharge that the grid companies charge to their end users. Payment of the green component is not made on the same schedule as payment of the base load component. Generally, payments of the base load component are made monthly while payments of the green component are required under law to be paid quarterly, but in practice in some provinces may be made only two or three times per year. Additionally, there is typically a gap, often of longer than one year, between an energy plant's COD and the date on which it receives its first payment of the green component of the feed-in tariff.

In addition to the feed-in tariff program, the solar industry has also benefited from the "Golden Sun Program" demonstration program that launched in 2009 as a strategy to support and further the development of the technology progress and scale of the national solar industry. Under the Golden Sun Program, the central government provided subsidies to eligible solar projects interconnected to the power grid in an amount of 50% of its total investment and to eligible off-grid solar projects located in remote areas without electricity supply at the amount of 70% of its total investment. Solar projects participating in China's feed-in tariff program described below were not eligible to participate in the Golden Sun Program. The Golden Sun Program expired in 2013.

Chinese financial institutions may offer preferential loans with a financial interest subsidy to renewable energy development and utilization projects that are listed in the national renewable energy industrial development guidance catalogue and satisfy certain conditions for granting loans.

Finally, under applicable Chinese tax law and regulations, an enterprise engaged in public infrastructure projects approved after January 1, 2008, including solar and wind power projects, that satisfy certain requirements are entitled to a three-year full exemption from the enterprise income tax followed by a three-year 50% exemption commencing from the first year it generates operating income. In addition, wind power projects are entitled to a 50% refund of the value-added tax levied on their electricity sales.