

Table of Contents

The Indian government's focus on promoting infrastructure development also extends to tax policy, which allows solar power generation companies to claim an exemption from the payment of income tax for up to 10 years within the first 15 years of a project's operations. However, a minimum alternative tax (generally at approximately 20%) calculated based on book profits is still applicable in respect of such projects. Accelerated tax depreciation is also available to solar and wind power generating companies.

**South Africa**

In August 2011, South Africa's Department of Energy, or "SA DOE," launched the REIPPP program, which requires renewable energy developers to bid on a tariff level and the identified socio-economic development objectives of the SA DOE. The REIPPP program contemplates a total of 6,925 MW will be subject to bidding, which are split into multiple bidding rounds and includes seven renewable energy technologies with a volume of MW attached to each technology. In the first three rounds of REIPPP program, the SA DOE has selected a total of 64 renewable energy projects following three bidding rounds, of which 33 were solar projects and 22 were wind projects. Collectively, these projects represent a combined generating capacity of approximately 3,912 MW, of which approximately 1,482 MW related to solar projects and 1,994 MW related to wind projects.

Each bid is evaluated under the REIPPP program based 70% on amount of the proposed tariff and 30% on the specified economic development criteria, including employment, local content and management control, ownership characteristics, socio-economic spending and smaller enterprise development initiatives. The amount of the feed-in tariff for the particular project is determined based on the bidding process. Each winning bidder under the REIPPP program will:

- enter into a 20-year PPA with Eskom that creates an obligation for Eskom to pay the renewable energy project the agreed tariff for power provided by the project; and
- enter into a 20-year Implementation Agreement with the SA DOE that creates an obligation for the renewable energy project to satisfy its identified economic development objectives.

Under the REIPPP program, the South African government guarantees the payment obligations of Eskom under the PPAs with renewable energy producers in defined circumstances. This guarantee arrangement, along with the support package adopted by the National Treasury on September 14, 2014, has facilitated private sector development as financing sources and investors have been willing to accept sovereign country risk in light of South Africa's relatively strong international credit standing without requiring political risk insurance, as would be the case in virtually every other African jurisdiction. Based on the sovereign guarantee and support package, we believe that Eskom will be a low risk offtake purchaser with a similar credit profile to our other customers.

**Honduras**

Individuals or entities that develop and operate renewable energy projects in Honduras will benefit from the following tax incentives: (i) sales tax for the purchase of equipment, materials and services destined or directly related to the necessary infrastructure for the generation of energy with renewable resources; (ii) taxes, fees, tariffs and import duties; (iii) income tax holiday for ten years; and (iv) income tax withholding for payments of services or professional fees of foreign individuals or legal entities for the performance of studies, development, installation, engineering, administration and construction, and monitoring of the energy renewable project.