commercial user of distributed generation. Under the terms of the PPA, the project sells and delivers the renewable energy generated to the offtake counterparty at a contracted tariff for a fixed number of years (unless otherwise terminated earlier), the duration of which is dictated by the type of renewable energy used for power generation under which the feed-in tariff approval is granted. For solar power generation, the duration is 21 years commencing from the feed-in tariff commencement date. The PPA provides for the payment of a feed-in tariff rate. The feed-in tariff rate is subject to adjustment if SEDA determines that the project has achieved cost parity (i.e., when the feed-in tariff rate is equal to or less than the displaced costs), at which point, the producer is paid a tariff based on the prevailing displaced cost for the remaining duration of the PPA.

Under this arrangement, the offtake counterparty pays the renewable energy generator the feed-in tariff rate for power that is purchased under the PPA and is subsequently reimbursed by Malaysia's renewable energy fund for the amount such feed-in tariff exceeds the prevailing "displaced costs" of such power. The "displaced cost" measure is established under the REA and is generally equal to the cost a traditional utility would incur to generate an equal amount of power. The subsidized portion of the feed-in tariff is typically well more than half of the total feed-in tariff.

In order to provide funding for the feed-in tariff program for renewable energy, the Malaysian government has stipulated that electricity consumers must contribute a surcharge of a certain percentage (currently 1.6%) of each of their total electricity bill towards the financing of the cost to implement Malaysia's renewable energy program. The funds collected nationally are deposited into a renewable energy fund that is managed and controlled by SEDA. This fund is further supported by annual national budget contributions as and when required.

In addition to the feed-in tariff program, the Malaysian government has also launched various programs to promote the application and development of green technology in Malaysia. In 2010, a financing program was established to accelerate the expansion of green investments by providing easier access to financing from private and commercial financial institutions. This financing program offers a 60% guarantee of the financing amount and a rebate of 2% on the interest or profit rate charged by the financial institutions. Under this program, funding will be provided for any project that satisfies the requirements for private finance initiatives and meets the green technology project criteria. This financing program is available until December 31, 2015 or upon reaching a total financing approval amount of MYR 3.5 billion, whichever is earlier.

Renewable energy producers are also entitled to apply for tax incentives, such as the investment tax allowance of a certain percentage of qualifying capital expenditures incurred within a period of five years, which can be set-off against 100% of statutory income for each year of assessment. The investment tax allowance is open for applications until December 31, 2015.

Thailand

Solar and wind power projects in Thailand are eligible for promotion (grant of rights, incentives and guarantees) under the Investment Promotion Act (1977). Pursuant to promotion policies announced by the Board of Investment, solar and wind power projects are eligible for tax and non-tax incentives. The tax incentives provide for: (i) an eight-year corporate income tax exemption, accounting for 100% of investment (excluding cost of land and working capital); (ii) an exemption of income tax on dividends during the income tax "holiday"; and (iii) an exemption of import duty on machinery. The non-tax incentives include: (i) the right for foreigners to obtain work permits; (ii) the right of majority-owned Board of Investment promoted projects to own land associated with the project; (iii) the right to remit foreign currency; and (iv) a policy of the government not to pursue nationalization as a form of redress.