

Client Alert

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New Law on Effective and Economic Use of Energy

On 17 June 2010, the National Assembly passed the Law on Effective and Economic Use of Energy (the “**Energy Law**”). The Energy Law regulates usage of energy by various sectors, and provides promotional methods and measurements applicable to organizations, households and individuals using energy.

The Energy Law, which contains 12 chapters and 48 articles, takes effect on 1 January 2011. However, a number of requirements and promotional methods are provided at a high level only and will likely need further guidance in order to be implemented.

Significant points of the Energy Law are as follows:

1. Forbidden Activities

The Energy Law forbids a number of activities which affect national energy resources, such as:

- Destroying national energy resources;
- Forging or falsifying information in order to receive favorable treatment from the Government;
- Misusing one’s position in managing usage of energy for personal benefit;
- Deliberately providing false information as to an equipment’s energy output while carrying out such activities as labeling equipment, examining, or advertisement; and
- Manufacturing, importing or trading any energy-utilizing equipment listed as rejected by the Government.

2. Responsibilities of Related Sectors

The Energy Law provides for the responsibilities of organizations and individuals doing business in the sectors of industrial manufacturing, construction and public lighting, transportation, agricultural activities, and services. Those organizations are required to use energy effectively and economically, in particular the Energy Law provides that:

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- Industrial manufacturers must invest in modern technology, equipment and means of production for the purpose of saving energy, while maintaining the productivity of the businesses.
- In transportation, the importers or manufacturers of vehicles must optimize the use of transport lines, maintain and repair vehicles and machinery to reduce the use of energy, or apply modern technology and management solutions to use energy effectively and economically.
- In the service sector, owners of hotels, restaurants, supermarkets, entertainment centers and other service facilities are required to reduce the use of equipment that consumes large amounts of energy during peak hours.
- For all the sectors, general guidelines on using and saving energy are introduced, such as applying national standards for energy output and productivity, replacing outdated techniques or equipment with more modern ones, and measurements and criterion for effective and economic use.

Notably, establishments that consume large amounts of energy (according to the Government's standards) annually must undergo audits every three years by independent auditors. In addition, the establishments must create and implement yearly plans and five-year plans for effectively and economically using energy to meet their production and business schedule, as well as regularly report the progress to the local authorities.

3. Managing Energy-consuming Equipments and Promoting Activities

The Energy Law requires several activities to be carried out by the Government and the Ministries, including labeling energy-consuming equipment, publishing energy output standards, and rejecting the equipment that is below the required standards.

In terms of promotional activities, the Energy Law introduces various policies to encourage enterprises, manufacturers and investors to save energy and use energy in an effective way. For manufacturers who produce energy saving equipment and machinery or invest in energy saving systems, preferential treatment in terms of import-export tax and enterprise income tax, land and property, and support on borrowing capital are provided. Furthermore, educational and promotional activities on effective and economic use of energy carried out by organization and individuals are also encouraged by the Energy Law.

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