

PRC Renewable Energy Law (Amendment 2009)

December 26th, 2009

The amendment of the PRC Renewable Energy Law (the "Amendment") has been adopted on December 26th, 2009, and is hereby promulgated, which shall come into effect as of April 1st, 2010.

Compared to the PRC Renewable Energy Law in 2006, the Amendment has stipulated some new regulations to facilitate the utilization of electricity generated from the renewable energy. The most important improvements of the Amendment are as follows:

- a. The amendment gives authority to the energy department of the State Council, together with the financial department of the State Council and the state power regulatory organ, which will be in charge of regulating the development and utilization of the renewable energies;
- b. The Amendment set up a new system called "the full protection of the acquisition system", which means that the authorities determine the percentage of the quantity of electricity generated from renewable energies in the total quantity of electricity generated during the planned period, and formulate the specific regulations on the priority power dispatching and purchase of the full amount of electricity generated from renewable energies by power-grid enterprises;
- c. The amendment stipulates that if the cost of the acquisition of the electricity generated from the renewable energies is higher than that of the acquisition of the electricity from the conventional energies, the balance can be compensated by the tax reverence of selling the electricity and a special fund mentioned hereafter;
- d. The Amendment requires the government to set up a special fund for the compensation of balance, renewable energy scientific research, finance rural clean energy projects, construction of the independent power systems in remote areas and islands, and construction of information networks for exploiting renewable energy;
- e. The Amendment strengthens the penalty to the companies which break the rules. Electric grid companies, natural gas & heat pipeline companies, and gas-selling enterprises which fail to purchase or accommodate renewable sources of power or fuel are liable for compensation. The energy department of the State Council or provincial level governments shall order them to correct the situation within a stipulated period of time. If they refuse to correct the situation, a fine of up to double the amount of actual amount of the economic loss shall be imposed against them.

The Amendment has made great changes on the purchase of electricity generated from the renewable energies. Not only does the whole procedure has more operational and feasible features, but the establishment of the new guarantee system also ensures the benefit of the grid companies which purchase this kind of electricity, including the full protection of acquisition and the special fund for compensation. In other words, the Amendment has eliminated the obstacle due to the lack of the specific rules and methods of carrying out the renewable energy plan.

Moreover, the Amendment has reflected the Chinese government's determination of developing and utilizing the renewable energy sources in order to decrease the carbon emission and air pollution. China's target is to increase its power generation up to 15 percent by 2020, from about 9 percent currently. It also aims to reduce the carbon intensity, or the amount of carbon consumed when producing per unit of GDP, of between 40 and 45 percent by 2020 compared with 2005.