

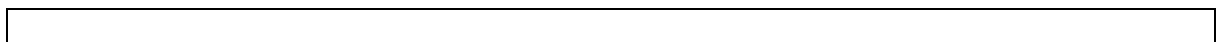
Renewable Energy Law
The People's Republic of China

Adopted at the 14th meeting of the Standing Committee of the 10th National People's Congress
on February 28, 2005



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Chapter 1. General Principles.

Article 1 The purpose of this law is to promote the development and utilization of renewable energy, increase energy supply, improve the energy structure, safeguard energy security, protect the environment, and realize the sustainable development of the economy and society.

Article 2 Renewable energy in this law refers to wind energy, solar energy, hydro energy, biomass energy, geothermal energy, ocean energy, and other non-fossil fuel energy sources.

The application of this law to hydropower shall be stipulated by the energy department in charge in the State Council and be submitted to the State Council for approval. This law does not apply to utilization of crop stalks and straw, fuel wood and manure by direct burning in low-efficiency stoves.

Article 3 This law applies to the territory of the People's Republic of China and territorial water of its jurisdiction.

Article 4 The Government prioritizes the development and utilization of renewable energy in its energy development, and promotes the establishment and development of renewable energy market by setting the renewable energy target in terms of total volume and taking relevant measures.

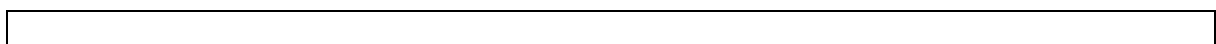
The Government encourages enterprises with various kinds of ownership to participate in the development and utilization of renewable energy, and protects the legal rights of the developers of renewable energy in accordance with the law.

Article 5 The energy department in charge in the State Council is responsible for centralized management of national renewable energy development and utilization. The relevant agencies in the State Council, within their designated responsibilities, are responsible for managing related renewable energy development and utilization.

The energy management agency of the local people's government at the above-county level is responsible for management of renewable energy development and utilization within its administrative area. The relevant agencies in the local government, within their designated responsibilities, are responsible for managing renewable energy development and utilization.

Chapter 2. Resource Management and Development Plan

Article 6 The energy department in charge in the State Council is responsible for organizing and coordinating national surveys and management of renewable energy resources,



and works with related departments of the State Council to establish resource survey protocols and standards.

The relevant agencies in the State Council, within their designated responsibilities, are responsible for related renewable energy resource surveys. The survey results shall be submitted to the energy department in charge in the State Council for collection.

The survey results should be released to the public except for those requiring confidentiality by the Government provisions.

Article 7 In accordance with the national energy demand and the practical situation of renewable energy resources, the energy department in charge in the State Council sets the mid- and long-term national renewable energy development target in terms of total volume. The target shall be implemented upon approval of the State Council and released to the public.

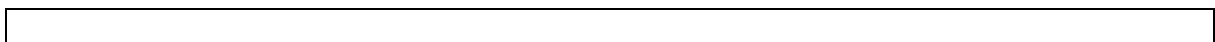
In accordance with the target in terms of total volume stipulated in the above paragraph, (as well as the economic development and the practical situation of renewable energy resources in each province, autonomous region and municipality), the energy department in charge in the State Council, (together with the local people's government of each province, autonomous region and municipality) sets the mid- and long-term target for renewable energy development and utilization in each administrative region and releases it to the public.

Article 8 In accordance to the national mid- and long-term target (in terms of total volume) for renewable energy development and utilization, the energy department in charge in the State Council together with relevant departments in the State Council designs the national plan for renewable energy development and utilization and implements it upon the approval of the State Council.

In accordance with the mid- and long-term target for renewable energy development and utilization in its administrative region, the energy management department of the local people's government in each province, autonomous region and municipality, together with relevant departments in the same-level local people's government, designs the plan for renewable energy development and utilization in its administrative region and implements it upon approval of its same-level people's government.

The approved plan should be released to the public except for those requiring confidentiality by Government provisions.

Any amendment of the approved plan must be submitted to the original approval authority for approval.



Article 9 In designing the plan for renewable energy development and utilization, opinions from relevant units, experts and the public shall be collected and scientific analysis shall be conducted.

Chapter 3 Industry Guidance and Technology Support

Article 10 The energy department in charge in the State Council, in accordance with the national renewable energy development and utilization plan, designs and promulgates guidance categories for renewable energy industry development.

Article 11 The standardization administrative agency in the State Council should set and promulgate the national technical standards for connecting renewable energy power to the grid, as well as other national standards for technologies and products related to renewable energy.

For those technologies and products that are not regulated in the above mentioned national standards, relevant agencies in the State Council should set corresponding industry standards, and should file with the standardization administrative agency in the State Council for record.

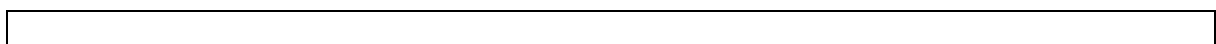
Article 12 The Government prioritizes the scientific technology research and commercialization of renewable energy development in its scientific development and high-tech industry development, and incorporates it into the national plan for science and technology development and the plan for high-tech industry development. The Government shall also allocate capital to support scientific technology research, demonstration and commercialization in order to promote the technological development for renewable energy, reduce the production cost and improve the quality for renewable energy products.

The education administrative agency in the State Council should incorporate knowledge on renewable energy technology into general and occupational education curricula.

Chapter 4. Promotion and Application.

Article 13 The Government encourages and supports grid-connected renewable energy power generation.

The construction of grid-connected renewable power generation projects shall, in accordance with law and regulations of the State Council, get administrative approval or be submitted for record.



In the case where the construction of a grid-connected renewable power generation project requires approval and where there are several applicants applying for approval concerning the same project, the licensee shall be selected through tendering in accordance with law.

Article 14 Power grid enterprises should sign the grid connection agreement with renewable energy generation enterprises that have received administrative approval or have been submitted for record, purchase all the power that is generated from grid-connected renewable energy generation projects covered by their grid network, and provide grid connection services and support for renewable power generation projects.

Article 15 The Government supports the construction of off-grid renewable power generation systems to provide electricity services for production and domestic uses in areas not covered by electric grid.

Article 16 The Government encourages clean and high-efficiency development and utilization of biomass fuels, and encourages development of energy crops.

For fuel gas and heat that are produced by the utilization of biomass and comply with the grid connection technological standards of the city fuel gas pipeline grid and heat grid, enterprises that operate fuel gas pipeline and heat grid should allow such fuel gas and heat to enter their grid.

The Government encourages the production and utilization of biological liquid fuels. Petroleum selling companies should, in accordance with provisions by the energy department in charge in State Council or provincial people’s government, put into their fuel selling system biological liquid fuels which meet the national standard.

Article 17 The Government encourages enterprises and individuals to use solar hot water systems, solar heating and cooling systems, solar photovoltaic power generation system and other solar utilization systems.

The construction administrative agency in the State Council should coordinate with relevant agencies in the State Council to set the technology and economic policy and technical standards for building integrated solar energy utilization systems.

Real estate developers must, in designing and constructing buildings, provide necessary conditions for solar energy utilization in accordance with the technical standards mentioned in the above paragraph.

For buildings already built, residents may, on the condition that its quality and safety is not affected, install solar energy utilization system that conform to technical standards and product standards, unless agreement has been otherwise reached between relevant parties.



Article 18 The Government encourages the development and utilization of renewable energy in rural areas.

The people's government at the above-county level should set rural renewable energy targets and implementation plans based on local economic and social development, local ecological protection and integrated hygiene management, to promote technology in conversion of biomass resources such as methane gas, and other technologies such as home solar energy, small wind energy and small hydro energy sources in the light of the realities of specific regions.

The government at the above-county level should provide financial support to renewable energy utilization projects in rural areas.

Chapter 5. Price Management and Cost Sharing

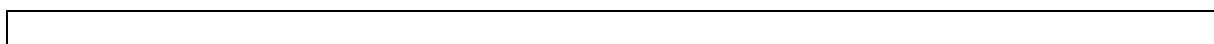
Article 19 The price management department in charge in the State Council determines the feed-in tariffs for renewable energy generation projects based on the characteristics of different types of renewable energy sources and the situations of different areas, and based on the principles of favoring the development of renewable energy as well as economic rationality principles, They shall adjust the feed-in tariffs in a timely fashion based on the development of technology for renewable energy development and utilization. The feed-in tariffs should be promulgated.

For renewable energy power generation projects that are implemented through tendering in accordance with provisions in paragraph 3 of Article 13 in this law, the feed-in tariff shall be the price of the winning bid, however, it shall not be higher than the feed-in tariff of the same renewable energy power generation projects determined in accordance to the rules mentioned in the above paragraph.

Article 20 The difference resulting from a higher fee paid by grid enterprises for purchasing renewable power than average feed-in tariff for conventional energy power shall be shared as a surcharge in the electricity-selling price. Specific measures shall be designed by the price management agency in the State Council.

Article 21 The reasonable grid connection cost for purchasing the renewable energy power and other reasonable costs can be calculated in the cost for electricity transmission for the enterprise and can be recovered from electricity sales price.

Article 22 The electricity sales price of independent renewable energy power systems established through Government investment or subsidies shall be determined based on differentiated sales prices in the same area. The part of reasonable costs from operation and



management that exceeds the electricity sales price shall be shared according to the measures provided in Article 20 of this law.

Article 23 The price of heat and fuel gas from renewable energy sources connected to the city grid shall be determined based on the designated price management rights and in accordance with principles of favoring the development of renewable energy as well as economic rationality principles.

Chapter 6. Economic Incentives and Supervision Measures

Article 24 The Government budget establishes special capital for renewable energy development to support the following activities:

1. Science and technology research, standard designing and demonstration projects for renewable energy development and utilization;
2. Construction of renewable energy projects for domestic use in rural areas and pastoral areas;
3. Construction of independent renewable power systems in remote areas and islands;
4. Resource surveys and assessments of renewable energy and relevant information system building;
5. Promoting the localization of renewable energy equipment manufacturing.

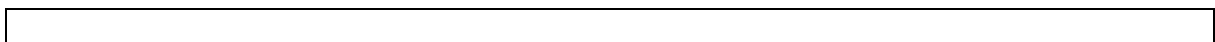
Article 25 For renewable energy development and utilization projects that are listed in the national guidance directory for renewable energy industry and comply with the requirements for bank credit, financial institutions may provide preferential loans with interest subsidies.

Article 26 The Government offers tax benefits for renewable energy development and utilization projects that are listed in the national guidance directory for renewable energy industry. Detailed measures shall be provided by the State Council.

Article 27 Electricity enterprises should keep an accurate and complete record of relevant materials of renewable energy generation and accept investigation and supervision from electricity supervision agencies.

Electricity supervision agencies shall conduct these investigations in accordance to the regulated procedures and keep trade secret and other secrets for enterprises that are investigated.

Chapter 7. Legal Liabilities



Article 28 In the case where energy department in charge in the State Council, energy management agencies of the local people’s government at the above-county level, and other relevant agencies fail to comply with the provisions set out in this Law in their supervision and management work and commit one of the following acts, the people’s government at the same or above level shall order them to rectify the situation, give administrative penalties to those in charge and other people who are directly responsible. Those whose acts constitute a crime shall be prosecuted for their criminal liabilities:

1. Fail to make decision on administrative approval according to law
2. Fail to conduct investigation after noticing illegal acts
3. Other acts of failing to carry out supervision and management responsibilities

Article 29 Power grid enterprises who fail to comply with Article 14 of this Law (fail to purchase all of the renewable power) are responsible for paying compensation for economic losses incurred by the renewable energy generation enterprises, and the State power supervision and management agency shall order them to rectify the problem by a given deadline. Those power grid enterprises that refuse to rectify the situation shall be fined an amount that does not exceed twice the economic loss incurred by renewable energy generation enterprises.

Article 30 Enterprises that operate fuel gas pipeline and heat grid, in the case of failing to comply with Paragraph 2, Article 16 of this Law (failing to permit grid access to fuel gas and heat that comply with the grid entry standards), shall be responsible for paying compensation for the economic loss incurred by the fuel gas and heat production enterprises, and shall be ordered to rectify the problem before a given deadline by the energy management agency of the provincial people’s government. Those who refuse to rectify the situation shall be fined an amount that does not exceed twice the economic loss incurred by fuel gas and heat production enterprises.

Article 31 Petroleum selling enterprises who fail to comply with Paragraph 3, Article 16 of this Law and fail to purchase liquid fuels that comply with the national standard in accordance with the provisions, are responsible for paying compensation for economic losses incurred by the biological fuel production enterprises, and the energy department in charge in the State Council shall order them to rectify the situation before a given deadline. Those petroleum-selling enterprises who refuse to rectify the situation will be fined an amount that does not exceed twice the economic loss incurred by the biological fuel production enterprises.

Chapter 8. Explanatory Notes



Article 32 In this Law, the meaning of the following terms are:

1. Biomass

Refers to plants in the natural environment that can be used for energy applications, human and animal manure, rural and urban organic waste

2. Independent renewable power system

Refers to stand-alone renewable power systems that are not connected to the grid.

3. Energy crops

Refers to plants and that are specially planted to provide energy materials.

4. Biological liquid fuels

Refers to methanol, ethanol, bio-diesel and other liquid fuels derived from biomass resources.

Article 33 This Law shall come into force on January 1, 2006.

