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Please note that this is the abridged version of the 2nd edition of *Renewable Energy in the Asia Pacific: A Legal Overview*, containing profiles of Japan and the Philippines only. To access the full document and all profiles listed below, please contact Lee Hale (lee.hale@dlapiper.com).

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INTRODUCTION

There is a clear and consistent message across the Asia Pacific region when it comes to future energy pathways - governments increasingly desire more renewable energy and are prepared to offer, in some cases, significant incentives for the private sector to meet often ambitious renewable energy targets.

This publication (now in its second edition) provides a high-level but comprehensive Renewable Energy Profile (REP) for 13 Asia Pacific countries, namely: Australia, China, East Timor, India, Indonesia, Japan, Korea, Malaysia, Mongolia, the Philippines, Singapore, Thailand and Vietnam. In addition to these Asia Pacific countries, we have included a REP on South Africa given the level of renewable energy development in that country.

Each REP briefly outlines the political, social, economic and historical context of each country. Electricity regulation, reforms and governance of each country are analysed, before considering how renewable energy fits into the respective electricity frameworks. The REPs also provide a brief insight into foreign ownership and investment laws and look at each country’s stance under the United Nations Framework Convention on Climate Change and the soon-to-expire Kyoto Protocol, which binds developed nations to emission reduction targets.

TRENDS

Clear trends transcend renewable energy development throughout the Asia Pacific region.

Generally, fossil fuel-generated electricity dominates overall production capacities. Fossil fuels account for approximately 75% of electricity production in India and around 90% in Indonesia, Thailand and Japan respectively. Countries with comparatively high renewable-sourced energy have achieved this through hydropower investments. For instance, the Philippines, China and Vietnam have amassed significant hydropower capacity, yet coal and/or gas remains the principal source of electricity for those countries.

Despite the dominance of fossil fuels, governments across the region are seeking greater renewable-sourced energy contributions. This is not just for reasons of climate change mitigation, but also to ensure long-term energy security, to reduce reliance on imports and to combat ground and air pollution problems.

Many governments have set targets for renewable energy production. For example, Malaysia aims to have 17% of its energy demand met from renewable sources by 2030, the Philippines aims to increase renewables capacity by 100% of 2002 levels by 2013, while Thailand aims to have 25% of the country’s electricity generated from renewable sources by 2021. The small and developing nation of East Timor is seeking a 50% contribution to total energy production from renewable sources within just eight years. The East Timorese Government, like others in the region, regard renewable energy as a more effective tool for development than traditional sources of power.

Mongolia has constructed a large wind farm, which is its first large-scale renewable project, to help the country achieve its target of 25% renewables by 2020. China, the global powerhouse of renewable technology and investment, continues to make great progress in the renewable sector, as its renewable energy capacity increases faster than its coal capacity. China is leading the new drive into solar photovoltaics manufacturing, which has brought prices down, and has also introduced pilot carbon trading platforms. While Japan has approved a number of renewable energy projects since the 2011 Fukushima nuclear disaster, Australia continues to underperform with very little increase in renewable capacity in recent years, despite the recent introduction of a carbon price and maintaining a 2020 renewable energy target of 20%.

Government incentives to achieve renewable targets are relatively uniform. Tax concessions, feed-in tariffs and importation concessions for renewable energy-related items are a few of the common measures to encourage private sector investment. Most countries have introduced some form of renewable energy legislation and also pushed for energy efficiency laws or incorporated energy policies into development strategies.

Jurisdictional issues and differing acceptances of foreign investment across provincial and national governments also play a part in some countries where, in practice, generous federal laws may not be as welcoming as at the state level.
For many of the countries, government-owned bodies continue to have a monopoly or dominate in the generation, transmission and/or distribution of electricity. Perusahaan Listrik Negara in Indonesia and the National Thermal Power Corporation in India are typical examples of government ascendency in the sector. Despite some countries such as Japan having privately owned regional monopolies, the lack of competition across the energy sector is common to many countries in the Asia Pacific and presents a further challenge to deployment of the foreign capital needed to boost the development of the renewable sector.

Across the Indian Ocean, in South Africa, many of the international renewable developers are focused on the 2,300MW renewable program, which is in the midst of an intense bidding process. In our view, the level of competition from foreigners in the market and the intensity of competition on some recent reverse auctions in the Asia Pacific are positive signals for countries such as Japan and the Philippines. Further consolidation in the manufacturing and development fields is likely and discussions are actively underway between local power players and more experienced foreign renewable funds and developers.

Five of the countries profiled in this publication appear on the “Renewable Energy Country Attractiveness Indices”. The indices, scored out of 100, are calculated on the basis of renewable infrastructure and technology factors and offer a good starting point when considering an attractive renewable energy market for investment.

### Renewable energy country attractiveness indices May 2012

<table>
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<th>Country</th>
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<th>All renewables</th>
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Source: Ernst & Young (see http://www.ey.com/GL/en/Industries/Cleantech/Renewable-energy-country-attractiveness-indices)
Japan’s Government is a parliamentary system with a constitutional monarch (the Emperor) who symbolises national unity. Following World War II, Japan entered a period of great economic growth. Despite an economic slowdown in the 1990s, Japan remains one of the largest economies in the world. The triple disasters of 2011, namely the earthquake, tsunami and nuclear disaster, have further tested Japan’s political, social and economic institutions and thrust energy issues into the national (and global) spotlight.
The divisiveness of energy issues in Japan was on display during the December 2012 parliamentary elections, which were won by the pro-nuclear Liberal Democratic Party.

**ELECTRICITY INDUSTRY OVERVIEW**
- Japan has the second-highest electricity rates in Asia, after the Philippines. In 2011, the retail rate of electricity was US$0.179 per kWh.
- Japan is just 16% energy self-sufficient.
- Prior to the Fukushima nuclear disaster in March 2011, Japan relied on nuclear power for roughly 30% of its energy needs, with 60% coming from conventional sources such as coal, oil and natural gas. Hydropower accounted for 9% of Japan’s energy resources, with other renewables - solar, wind, biomass and geothermal energy - contributing only 1% of the total power capacity of the nation.
- In the 1970s, 80% of energy consumed was from oil, compared with 45% in 2009.
- Following the 2011 disasters, all but one of Japan’s 50 operating reactors have been permanently shut down or are temporarily closed for inspection.

**Electricity laws**
- The Basic Act on Energy Policy was enacted in June 2002. The core principles of this energy policy are:
  - energy security;
  - adaptability to the environment; and
  - use of market mechanisms (Article 4).
- The Act on the Rational Use of Energy 1979 ensures that factories and appliances comply with strict energy efficiency standards.
- The Electricity Utilities Industry Law (which was amended significantly in 1995) sets out the procedures for an electricity utility to obtain a licence from the Minister of Economy, Trade and Industry.

**Market ownership and competition**
- The electricity market is dominated by regional monopolies, with 85% of the country’s total installed generating capacity produced by 10 privately owned companies.
- The electricity producers are strictly regulated by the Ministry of Economy, Trade and Industry (METI).
- Japanese private companies traditionally dominated the oil and gas markets, but since deregulation, more foreign companies have entered or are entering into the market (such as Shell and BHP Billiton).
- Companies engaged in the electric power business in Japan are classified either as General Electric Utilities, Wholesale Electric Utilities, Independent Power Producers (IPPs), Power Producers and Suppliers (PPSs), or Specified Electric Utilities.
- In the past, the electric power business in Japan was dominated by the General Electric Utilities, which had monopoly control in their respective service areas. After a revised Electric Utilities Industry Law came into effect in 1995 (along with two later revisions), the situation has been changing significantly, starting with the liberalisation of power generation and partial liberalisation of retail sales.
- Wholesale Electric Utilities are businesses having supply capacity of 2GW or above and supplying electricity to General Electric Utilities. Examples are J-Power and the Japan Atomic Power Company.
- Wholesale Suppliers (including IPPs) are businesses other than Wholesale Electric Utilities supplying electricity to General Electric Utilities, contracting with them for supply of 1MW or more for at least 10 years, or for 100MW or more for at least five years.
- PPSs are businesses supplying electricity to customers contracted for 0.05MW or more, using the power line networks of General Electric Utilities. PPSs are new entrants in the liberalised retail electricity sector.
Specified Electric Utilities are businesses supplying electricity to certain defined areas using their own power generation and distribution facilities, such as power lines.

West Japan and East Japan have electricity running at different frequencies. In West Japan it runs at 60Hz and in East Japan it runs at 50Hz. There are very few conversion stations, resulting in difficulty transmitting power from one region to the other.

RENEWABLES INDUSTRY OVERVIEW

Japan currently sources approximately 9% of its energy from renewable sources.

There has been a significant push to develop renewable energy in Japan in order to boost energy self-sufficiency and to move away from nuclear power in the wake of the 2011 disasters. However, with the recent election of the Liberal Democratic Party it is expected that Japan will no longer seek to decommission all nuclear power plants.

Solar energy

Japan currently has the fourth-largest PV market in the world and is the third-largest producer of PV panels.

Japan formerly had one of the largest programs in the world to promote rooftop solar panels. However, the domestic solar industry has since fallen somewhat behind the international market leaders.

Wind energy

The topographical features of Japan present challenges in wind development. Hokkaido and Tohoku are two of the regions where large-scale wind farms continue to be constructed.

In 2010, the total installed wind capacity was 2,304MW.

Hydropower

65% of Japan’s 34GW of hydropower reserves have already been tapped into.

Biomass energy

By July 2009, 218 towns were established as biomass towns as part of the Biomass Nippon Strategy.

Biofuels energy

The Japanese Government predicts that Japan has the capacity to produce 6Gl per year of biofuels by 2030.

Use of abandoned arable land (386,000ha) could produce resource crops equivalent to 6.2Gl of oil.

Geothermal energy

Japan’s geothermal capacity is 2,470MW.

CURRENT ISSUES IN THE RENEWABLES INDUSTRY

The Act on Purchase of Renewable Energy Sourced Electricity by Electric Utilities, which become effective on 1 July 2012 (see below), establishes a feed-in tariff regime for renewable energy.

All feed-in tariff rates will include 5% sales tax. A spokeswoman for Eurus Energy Holdings Corp said with reference to the solar rate, “[once the sales tax] is deducted, the rate is actually ¥40, [which is] below what the industry association suggested”.

The solar rate is about double what is being paid in Europe, but just under the rate the Canadian province of Ontario, is planning to pay.

The feed-in tariff rates will be reviewed annually. Trade Minister Yukio Edano is responsible for approving these rates. The Government will also be monitoring the profits of renewable energy companies during the first three years. The program is designed to pay a premium price for the first three years to encourage early investment in renewable energies.

Once an agreement has been reached between the power provider and power utility, the feed-in tariff rates will not change as a result of future price revisions.

The political instability of successive Japanese Governments is seen by some commentators as a deterrent to renewables investment.
RENEWABLES LAWS

- The 2003 Renewable Portfolio Standard targeted solar power, wind power generation, biomass energy, hydropower and geothermal power:
  - the law requires electricity utilities to meet certain annual renewable energy targets set by the Minister, determined as a percentage of electricity sales; and
  - an electricity utility may choose to meet its obligation in the following ways: (i) by generation of electricity itself; (ii) by purchasing the electricity generated from renewable resources from another party; or (iii) by purchasing tradable “Renewable Energy Certificates” from another party. Such Renewable Energy Certificates are granted to utilities that generate electricity from renewable sources.
- The Act on Purchase of Renewable Energy Sourced Electricity by Electric Utilities was effective from 26 August 2011. The law:
  - introduces a feed-in tariff regime for renewable energy to commence on 1 July 2012 whereby energy operators will be obligated to purchase set amounts of solar, wind, geothermal, hydropower and biomass energy at set rates;
  - shortens the amount of time required to assess the environmental impact of building and running wind farms;
  - deregulates the process of setting up small hydropower plants;
  - exempts solar power stations from regulations under the Factory Location Act;
  - allows for geothermal power development in national parks for firms that drill wells outside the parks; and
  - gives power generation companies control over the substance of Power Purchase Agreements. Electric utilities cannot refuse requests by power generation companies to enter into agreements to supply power from renewable energy sources unless there is a risk of unjust harm to the interests of the electric utility.
- Under the Act on Purchase of Renewable Energy Sourced Electricity by Electric Utilities, electricity supplied must be from an accredited facility. The METI will be responsible for certifying permits to the power generators pursuant to the “Implementing Regulations” 2012.

In order to receive the benefit of the feed-in tariff, a supplier must first obtain accreditation from METI for the facility generating renewable electricity. While there are particular requirements for each kind of renewable resource, the following criteria apply to all:
- the facility must have a system in place that enables it to maintain its expected capacity during the anticipated term of the agreement with the electric utility operator that will purchase the electricity;
- the facility must have a proper mechanism to accurately measure the amount of the renewable electricity supplied;
- the functions and operations of the facility must be specifically identified and reported to METI;
- the installation and operating costs of the facility must be recorded accurately and filed with METI; and
- there is no charge for an entity to apply for its facility to be an accredited renewable electricity facility. The accreditation process will take approximately one month.
- The feed-in tariff rates will be funded by the “Surcharge for Renewable Energy” to be paid by consumers. Areas affected by the 2011 earthquake and tsunami will be exempt from the surcharge until 31 March 2013. Industries that consume large amounts of energy (more than eight times the average unit of their industry) will also be exempt from the surcharge.

FOREIGN INVESTMENT/OWNERSHIP

- Japan External Trade Organisation (Jetro) is a body that encourages foreign direct investment in Japan.
- Jetro assists foreign investors through tours of regions and introductions to Japanese business persons.
- There are no restrictions on foreign investment for participation in the feed-in tariff regime. In fact, foreign investment is welcomed by the Government to help increase the country’s renewable electricity base.

Tax

- Income tax top rate of 40%.
- Value-added tax rebate of 5%.
- Corporate tax of 25.5% (reduced from 30% on 1 April 2012).
A resident corporation with its main office in Japan is generally taxed on its worldwide income. Every company irrespective of domestic or foreign ownership is treated as a resident corporation.

If foreign income has been taxed in a foreign country, tax deductions are usually available.

There is a 95% foreign dividends exemption.

Tax reforms introduced in 2011 also included incentives for foreign companies:

- those operating in a designated international strategic zone may claim either: (i) a 50% special deduction on assets acquired between 1 August 2011 and 31 March 2014; or (ii) a 20% income exclusion from income attributable to certain business activities for five years based on a plan approved between 1 August 2011 and 31 March 2014; and
- those engaging in research and development activities or regional headquarter activities may, between 1 August 2011 and 31 March 2014, apply for a five-year 20% deduction from taxable income.

Unless reduced under a tax treaty:

- a 20% withholding tax is levied on dividend distributions to non-residents;
- a 20% withholding tax applies to interest on non-resident corporation loans; and
- a 20% withholding tax is generally required on Japan source service fees.

Ownership

There are four ways in which corporations can establish a business presence in Japan:

- representative office (cannot engage in business operations, can only carry out supplementary and preparatory tasks);
- branch office;
- subsidiary company; and
- limited liability partnership.

To lawfully operate, at least one director or representative of the foreign company must be present in Japan.

GOVERNMENT INCENTIVE PROGRAMS

- The 2011 Tax Reforms introduced tax exemptions between 30 June 2011 and 31 March 2014 for the acquisition of machinery and equipment to promote environmental protection.

MAJOR PROJECTS/COMPANIES

- SB Energy Corp will be constructing and managing Japan’s largest solar project, a 200MW project in Tomakomai, Hokkaido.
- A 13MW plant at Kawasaki is currently the largest installed solar PV plant in Japan. Tokyo Electric Power Co along with Kawasaki City plan to build more solar plants in the region.
- Tokyo Electric Power Co is Japan’s largest privately owned electricity utility (see http://www.tepco.co.jp/en/index-e.html).
- Daiwa House Industry Co completed a wind farm on the Sadamisaki Peninsula in 2007. It operates nine generators and provides enough energy for 6,500 homes (see http://www.daiwahouse.co.jp/English/index.html).
- J-Power operates 16GW of hydropower and thermal power plants (see http://www.jpower.co.jp/english/).
- A 2,350MW Kannagawa hydropower plant is due online in 2017.

RELEVANT INTERNATIONAL TREATIES

- Japan is a signatory to the United Nations Framework Convention on Climate Change and the Kyoto Protocol. Initially Japan had hoped to reduce its carbon emissions through greater reliance on nuclear energy, however, it is now relying upon renewable energy to do so. Citing the United States’ and China’s reluctance to enter into binding emissions targets, Japan has indicated that it will not agree to a renewal of the Kyoto Protocol.
RELEVANT WEBSITES

- Jetro - www.jetro.go.jp/
- Japan Photovoltaic Energy Association - www.jpea.gr.jp/08eng.html
- Japan Wind Power Association - jwpa.jp/index_e.html
- Agency for Natural Resources and Energy - www.meti.go.jp/english/aboutmeti/data/aOrganization/keizai/sigenenerugi/01.htm

REFERENCES

- Japan External Trade Organization, accessed at http://www.jetro.go.jp/
Following its independence in 1946, the Republic of the Philippines has had periods of political stability intermingled with “people power” movements to overthrow presidents in 1986 and 2001. The Philippines avoided the economic downturn following the global financial crisis in 2008. However, it has faced increased tensions with China over territorial claims in the South China Sea.

**Electricity Industry Overview**
- Electricity in the Philippines is said to be the most expensive in Asia, with an average retail rate across the country of US$0.23 per kWh.
- According to the Department of Energy’s (DOE) Power Statistics report, the Philippines had 16,359MW of installed generating capacity in 2010. Of that:
  - coal accounted for 29.75%;
  - hydropower accounted for 20.75%;
oil-based production accounted for 19.52%;
- natural gas accounted for 17.49%;
- geothermal accounted for 12.02% (or 1,966MW, second-largest in world);
- wind accounted for 0.20%; and
- solar accounted for 0.01%.

Electricity laws
- The Electric Power Industry Reform Act of 2001 (EPIRA) sought to comprehensively restructure the industry from "a vertically integrated, extensively publicly-owned utility business, [to an] industry [which] was envisioned to be broken down into its main components with a deregulated and effectively privatised generation and supply sectors".
- While the transmission and distribution sectors remain regulated, the generation sector has been fully deregulated, with generation prices largely governed by market forces and/or settled in commercial terms.
- The Energy Regulatory Commission (ERC) is the body charged with regulating the Filipino electricity sector.

Generation, distribution and transmission
- With the privatisation of generation assets held by the National Power Corporation (NPC), the generation sector can be considered competitive as more investors from the private sector are engaging in the business of producing and selling electricity in the market.
- NPC, in the meantime, continues to generate its own electricity and buys electricity from Independent Power Producers (IPPs). The capacity produced by IPPs is also in the process of being privatised and assigned to IPP administrators trading in the market on behalf of NPC.
- A number of bodies distribute electricity throughout the Philippines, including investor-owned utilities such as the Manila Electric Company (Meralco), local government-owned utilities and consumer-owned electricity cooperatives. Both the investor-owned utilities and electricity co-operatives operate under a rate-setting regime, whilst the investor-owned utilities operate on a performance-based scheme, which is slightly modified in approach and implementation for electricity co-operatives.

- The transmission assets held by NPC were transferred by EPIRA to the National Transmission Corporation (TransCo). The operation, maintenance and upgrade of the assets, on the other hand, was privatised by way of concession contract undertaken by the Power Sector Assets and Liabilities Management Corporation (PSALM).
- PSALM then awarded the 25-year concession contract to the National Grid Corporation of the Philippines (NGCP). As concessionaire, NGCP is required to prepare the Transmission Development Plan and is authorised to collect wheeling charges and other fees, as approved by the ERC.

Reforms
- There have been significant reforms in the industry following the implementation of EPIRA including:
  - privatisation of more than 85% of NPC generation assets and IPP capacities in Luzon, and ongoing privatisation of assets and capacities in Visayas and Mindanao;
  - privatisation of the operation and maintenance of the transmission assets;
  - commercial operation of the Wholesale Electricity Spot Market (WESM) in Luzon and Visayas; and
  - unbundling of electricity rates to indicate generation, transmission, distribution, metering and ancillary services.

Sale of electricity
- Electricity is sold at the spot market price through the WESM or under a bilateral contract agreement. While physical dispatch of plants is undertaken by the system operator, the Philippine Electricity Market Corporation – as Market Operator – prepares dispatch instructions based on trading volumes and clearing price per hour in the WESM.

RENEWABLES INDUSTRY OVERVIEW
- As a country rich in natural resources, the Philippines initially adopted the development and use of hydropower and geothermal resources as early as the 1950s. The first hydropower project – the Ambuklao Hydropower Plant – was commissioned in 1956.
Explorations for the Tiwi and MakBan Geothermal Power Plant Complex commenced in 1964, with the first unit in Tiwi commencing operations in 1976.

The Philippines has traditionally been susceptible to world oil price fluctuations. This has been particularly evident following events such as the oil shocks in the 1970s and the wars in the Middle East throughout the 1980s and 1990s. These events, which have been significant economic drivers in the Philippines, spurred the search for local renewable energy sources.

Despite the Philippines already generating approximately a third of its energy from renewable sources, there continues to be untapped and undeveloped resources that can be utilised as renewable energy sources. To this end, the Philippine Congress passed the Renewable Energy Act of 2008 (RE Act, see below).

The Filipino Government’s goals for the renewable energy sector include:
- increasing renewable energy-based capacity by 100% by 2013 from 2002 levels;
- to be the number one geothermal energy producer in the world (currently second);
- to be the number one wind energy producer in South East Asia;
- doubling hydropower capacity by 2013 and
- expanding the contribution of biomass, solar and ocean energy by 131 MW.

CURRENT ISSUES IN THE RENEWABLES INDUSTRY

On 27 July 2012 the ERC approved initial feed-in tariff rates that will apply to generation from renewable energy sources.

The ERC has deferred fixing a feed-in tariff rate for ocean energy.

RENEWABLES LAWS

The RE Act mandates the DOE to establish a Renewable Energy Market (REM) to be operated under the WESM, for trading of renewable energy certificates to facilitate compliance with the Renewable Portfolio Standard (RPS).

The RPS requires electricity suppliers to source a minimum amount of energy from “eligible renewable sources”. There is no guidance in the RE Act as to what constitutes an “eligible renewable source”. However, section 2 of the RE Act provides for exploration and development of biomass, solar, wind, hydropower, geothermal and ocean energy sources.

The RE Act seeks to accelerate the exploration and development of renewable energy sources, and increase the utilisation of renewable energy. The DOE is the lead agency mandated to implement the RE Act. The National Renewable Energy Board (NREB) was created under the RE Act and its function includes recommending specific actions to facilitate the implementation of the National Renewable Energy Program.

On-grid renewable energy development under the RE Act includes the establishment of the RPS. This is complemented by a feed-in tariff to accelerate the development of emerging renewable energy sources. It includes priority connections to the grid for renewable energy; priority purchase and transmission of, and payment for, such electricity by the grid system operators; and for the NREB to recommend for ERC to approve the fixed tariff rate (as at March 2012, the feed-in tariff rates were set for approval by the ERC).

There is a perception in the market that feed-in tariffs in the Philippines are lower than in other Asia Pacific jurisdictions. For political reasons, it has been difficult for the Government to formulate appropriate policies to increase feed-in tariff rates.

It is expected that the development of off-grid solar PV projects will increase to address electrification from renewable sources in remote areas.

Consumers may choose to source their power from renewable sources (known as the “Green Energy Option” under the RE Act).

The RE Act also establishes a Renewable Energy Trust Fund to enhance the development and greater utilisation of renewable energy, to be administered by the DOE as a special account in government financial institutions.
FOREIGN INVESTMENT/OWNERSHIP

- The Philippines welcomes foreign investment. However, it does restrict foreign ownership in certain areas and activities. The Foreign Investments Act of 1991, as amended, provides for the regular issuance of a “Foreign Investment Negative List” that can be used as a reference by prospective investors.

- It appears likely that companies within the renewables industry would be limited to 40% foreign equity.

GOVERNMENT INCENTIVE PROGRAMS

- There are a number of incentives under Chapter VII of the RE Act for achieving the above renewable energy targets, such as:
  - income tax holiday of seven years;
  - corporate tax rate of 10%;
  - duty-free importation of renewable energy machinery, equipment and materials within the first 10 years;
  - 10-year exemption from tariff duties;
  - net operating loss carry over for the next seven years following the loss;
  - accelerated depreciation;
  - 0% value-added tax rate;
  - cash incentive for missionary electrification (those outside the three main grids and where connection to existing network is not feasible);
  - special realty tax;
  - tax exemption on carbon credits;
  - tax credit on domestic capital equipment; and
  - net-metering for renewable energy to allow consumers generating their own power to sell back to the grid.

- The DOE also enters into service contracts, which give a renewable energy developer exclusive rights to explore, develop or utilise a particular area. The contract is divided into a pre-development stage and a commercial stage.

- There are also additional incentives for renewable energy commercialisation under the RE Act, including significant tax exemptions.

- The Government’s Investment Priorities Plan is frequently updated. Currently, renewable investment is classified as a priority investment area.

MAJOR PROJECTS/COMPANIES

- North Wind Power Development Corporation has developed the 25MW Bangui Bay North wind farm in Ilocos Norte.

- Currently there are 134 hydropower plants, including 21 large hydropower plants in the Philippines. A number of mini-hydropower development contracts have been approved recently, including an 8MW Villasiga MHP in Bugasong, Antique.

- In Mindanao, the first unit (26MW) of the 42MW Sibulan hydropower plant in Davao del Sur commenced testing and was commissioned in April 2010. The second unit (16MW) was constructed in August 2010.

- In 2011, two hydropower plants operated by SN Power and Aboitiz Power were registered by the United Nations Framework Convention on Climate Change (UNFCCC) as clean development mechanisms.

- Since the passage of the RE Act, the DOE has approved service contracts with a total capacity of 2,578MW, including 1,455MW in the Luzon grid. The 20MW Maibarara geothermal plant held its “ground-breaking” ceremony on 27 April 2012.

RELEVANT INTERNATIONAL TREATIES

- The Philippines was one of the first countries to ratify the UNFCCC in 1994. The Philippines also quickly ratified the Kyoto Protocol, however as a “developing” country, it does not have any binding greenhouse gas reduction targets to meet. Nevertheless, in a report submitted to the UN in 2000, the Philippines outlined its various mitigation, adaptation and prevention initiatives, such as the passing of the Clean Air Act of 1999.
RELEVANT WEBSITES

- Department of Energy - www.doe.gov.ph
- Energy Regulatory Commission - www.erc.gov.ph
- National Grid Corporation of the Philippines - www.ngcp.ph
- Power Sector Assets & Liabilities Management Corporation - www.psalm.gov.ph
- National Power Corporation - www.napocor.gov.ph

REFERENCES

BUSINESS ENVIRONMENT
EXPLANATORY NOTE

EASE OF DOING BUSINESS REPORT

The Ease of Doing Business Report is an annual publication of the International Finance Corporation (a member of the World Bank Group). The report looks at laws that may affect domestic firms in 183 economies. The report ranks these economies against 10 criteria, which are: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. The 2012 report, released on 20 October 2011, used data from between June 2010 and May 2011.

Source:  http://www.doingbusiness.org/

INDEX OF ECONOMIC FREEDOM

The Index of Economic Freedom is produced on an annual basis. It is authored by the Wall Street Journal and the Heritage Foundation. The index is designed to assess the implementation of Adam Smith’s theory of economics which places great importance on liberty, prosperity and economic freedom. The index evaluates each country based on 10 criteria, including: business freedom, trade freedom, fiscal freedom, government spending, monetary freedom, investment freedom, financial freedom, property rights, freedom from corruption and labour freedom. The 2012 index, which looked at 179 countries, used these criteria to arrive at a ranking for each country with the first ranked country being the ‘most free’.

Source:  http://www.heritage.org/index/

CORRUPTION PERCEPTIONS INDEX

Transparency International’s Corruption Perceptions Index ranks countries according to the perceived levels of public sector corruption. The index also gives each country a score out of 10. A score of zero means a country is perceived as highly corrupt, while a score of 10 denotes that a country is perceived as clean of corruption. Out of the 183 countries assessed in the 2011 index, the highest score globally was 9.5 (New Zealand), while the lowest score was 1 (Somalia).

Source:  http://www.transparency.org/

OTHER INFORMATION

The population, income and GNI per capita figures were based on data supplied by the World Bank. The GNI per capita in each profile is stated in purchasing power parity (PPP) terms. As a result, the figure is expressed in international dollar terms, rather than US dollar terms. An international dollar has the equivalent purchasing power over GNI as a US dollar has in the United States. It is thus a useful comparative tool when assessing the per capita wealth of different countries.

KEY CONTACTS (ASIA PACIFIC)

Stephen Webb  
Partner and Head of Renewable Energy Sector Group  
T +61 7 3246 4208  
stephen.webb@dlapiper.com

Nicolas Groffman  
Partner (Beijing, China)  
T +8610 6561 1788  
nicolas.groffman@dlapiper.com

Robert Caldwell  
Partner (Hong Kong, China)  
T +852 2103 0536  
robert.caldwell@dlapiper.com

Heng Loong Cheong  
Partner (Hong Kong, China)  
T + 852 2103 0610  
hengloong.cheong@dlapiper.com

Jolyon Ellwood-Russell  
Partner (Hong Kong, China)  
T +852 2103 0516  
jolyon.ellwood-russell@dlapiper.com

Matt Glynn  
Partner, Singapore  
T + 65 6512 6060  
matt.glynn@dlapiper.com

Richard Horton  
Partner (Sydney, Australia/ Palo Alto, USA)  
T +1 650 833 2253  
richard.horton@dlapiper.com

Damian McNair  
Head of Finance & Projects, Asia Pacific  
T +61 3 9274 5379  
damian.mcnair@dlapiper.com

Koji Ishikawa  
Partner (Tokyo, Japan)  
T +81 3 4550 2825  
koji.ishikawa@dlapiper.com

Daniel W. Lee  
Partner (Seoul, Korea/Tokyo, Japan)  
T +81 3 4550 2813  
daniel.lee@dlapiper.com

Supreedee Nimitkul  
Partner (Bangkok, Thailand)  
T +662 686 8535  
supreedee.nimitkul@dlapiper.com

Luke Westmore  
Special Counsel (Melbourne, Australia)  
T +61 3 9274 5587  
luke.westmore@dlapiper.com

Gerald Arends  
Consultant (Brisbane, Australia)  
T +61 7 3246 4051  
gerald.arends@dlapiper.com
OUR RELATIONSHIP FIRMS

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INDIA - KHAITAN & CO
(www.khaitanco.com/)
Joy Jacob
T +91 22 6636 5000
joy.jacob@khaitanco.com

PHILIPPINES – PJS LAW
(www.pjslaw.com/)
Regina Jacinto Barrientos
T +63 2 840 5025
rpjacinto@pjslaw.com

INdonesia – SSEK
(www.ssek.com/)
Ira A. Eddymurthy
T +62 21 3041 6700
iraeddymurthy@ssek.com

Najha Katrina J. Estrella
T +63 2 840 5025
njestrella@pjslaw.com

Michael D. Twomey
T +62 21 3041 6700
michaeltwomey@ssek.com

MOralisa C. Dimalanta
T +63 2 840 5025
mcdimalanta@pjslaw.com

malaysia - zaID IBRAHIM & CO.
A MEMBER OF ZICOLAW
(www.zicolaw.com/)
Fiona Lee Yuen
T +603 2087 9902
fiona.y.lee@zicolaw.com

Vietnam - Vilaf
(www.vilaf.com/)
Tran Anh Duc
T +84 3 3824 1600
ducta@vilaf.com.vn

Loh Wei Lian
T +603 2087 9999
wei.lian.loh@zicolaw.com

South Africa - Dla Cliffe Dekker Hofmeyr
(www.cliffedekkerhofmeyr.com/)
Kieran Whyte
T +27 (0) 11 562 1132
kieran.whyte@dlacdh.com

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Stephen Webb (on behalf of DLA Piper)
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