

A Tentative Management Method of Special funds for Renewable Energy Development

Chapter One General principles

Article One To reinforce management of the special funds for renewable energy development and make efficient use of the fund, this Method is hereby formulated in accordance with *the Renewable Energy Law of the People's Republic of China, the Budget Law of the People's Republic of China* and other applicable laws.

Article Two “Renewable Energy” as mentioned herein refers to non-fossil energy such as wind power, solar energy, hydro power, biomass energy, geothermal energy and ocean energy.

“Special funds for Renewable Energy Development” (hereafter referred to as Special funds for Development) as mentioned herein refer to special funds established by the finance department of the State Council and it is used to support the development and utilization of renewable energy resources.

Special funds for Development are arranged through central budget.

Article Three Special funds for Development are used to finance following activities:

- (1) Scientific and technological research, standards formulation and demonstration projects for the development and utilization of renewable energy;
- (2) Utilization projects of renewable energy for living use in rural and pastoral regions;
- (3) Construction of independent electric power systems with renewable energy resources in remote regions and islands;
- (4) Survey and assessment of renewable energy resource, as well as the construction of relevant information systems;
- (5) Localized manufacture of equipment and devices that facilitate the development and utilization of renewable energy resource.

Article Four Principles for the arrangement of Special funds for Development:

- (1) emphasizing key points while taking into account of ordinary issues;
- (2) encouraging competition and selecting the best to support;
- (3) openness, fairness, and impartialness.

Chapter Two Major Areas to Support

Article Five Special funds for Development shall be mainly used to support the development and utilization of renewable energy with huge potential and good prospects, such as petroleum substitutes, space heating & cooling and power generation.

Article Six For the development and utilization of renewable energy resources in terms of petroleum substitutes, emphasis will be placed on the support of bio ethanol fuel, biodiesel etc.

Bio ethanol fuel refers to fuel ethanol made from sugarcane, cassava, and sugar grass.
biodiesel refers to liquid fuel made by using oil-bearing crops, fruits, and hydrophyte as raw materials.

Article Seven For the development and utilization of renewable energy resources in terms of building heating and cooling, emphasis will be placed on the popularization and application of solar energy and geothermal energy in buildings.

Article Eight For power generation using renewable energy resources, emphasis shall be placed on popularization and application of wind power, solar energy, and ocean energy.

Article Nine Other key fields for support shall be determined by the finance department of the State Council in accordance with national development and utilization plans of renewable energy.

Chapter Three Application and Approval

Article Ten Department responsible for the management of renewable energy under the State Council (hereafter referred to as responsible department of the State Council) shall, in conjunction with the finance department of the State Council, be responsible for organizing experts to prepare and issue guidelines for the annual special funds application in accordance with national economic and social development needs and national development and utilization plans for renewable energy.

Article Eleven Entities or individuals applying for Special funds for Development shall, under the national guidelines for the annual special funds application, apply to the local department responsible for renewable energy development (hereafter referred to as local responsible department) and local finance department in their residence respectively.

For scientific and technological research projects on renewable energy development and utilization, applications for national funding assistance, if needed, shall be submitted via national science planning (fund) channels such as “863” and “973”; for renewable energy development and utilization projects in agricultural areas such as rural methane, applications for support shall be submitted via existing channels if fund channels are currently available. The above two categories should not be applied in the Special funds for Development again.

Article Twelve Local responsible departments shall, in conjunction with local finance departments at the same level, be responsible for the level-by-level application to the responsible department of the State Council and finance department of the State Council.

Article Thirteen Responsible department of the State Council shall, in conjunction with finance department of the State Council, entrust relevant organizations to assess or organize experts to review the application materials.

For projects that are especially supported by Special funds for Development, open tendering shall

be implemented as long as they meet tendering conditions. Tendering work shall be organized by Responsible department of the State Council in conjunction with the finance department of the State Council through reference to national regulations on tendering and bidding management.

Article Fourteen On the basis of review opinions from experts and tendering results, Responsible department of the State Council shall propose recommendations for funding arrangements and submit the recommendations to the finance department of the State Council for review and approval.

Finance department of the State Council shall make arrangements for quota review and approve funding budgets in accordance with renewable energy development plans and the annual budgets of Special funds for Development.

Article Fifteen Finance departments at various levels shall handle the transfer of Special funds for Development in accordance with established procedures by transferring Special funds for Development to entities or individuals that undertake the projects in timely manner and in full amount.

Article Sixteen If, in the process of execution, alteration or cancellation becomes necessary for special reasons, entities or individuals that undertake the projects shall submit their requirement for approval according to submission procedures.

Chapter Four Financial Management

Article Seventeen Ways of using Special funds for Development: grants and loan with deducted interests.

(1) Grants.

Grants are primarily used for projects with little profit but of great benefits to the public. Standard formulation is fully funded by the State. Besides that, entities or individuals that undertake the projects shall provide their own funds whose amount is equal to or above the grants.

(2) Loans with deducted interests

Loans with deducted interests are primarily used for renewable energy development and utilization projects which are listed in the national renewable energy industry development guiding catalogs and which have met loan conditions. Only if that bank loans are in place and entities or individuals that undertake the projects have paid the interests may loans with deducted interests be arranged.

Funds with deducted interests shall be determined according to bank loans that are actually provided, contracted interest rates and amount of interests actually paid, with a deducting term ranging from 1 to 3 years and maximum annual deducted interest rates not exceeding 3%.

Article Eighteen After they have obtained Special funds for Development from the State, entities or individuals that undertake the projects should deal with the fund financially according to relevant regulations in China.

Article Nineteen Entities or individuals that receive grants shall use Special funds for Development for the following purposes:

(1) Labor fees.

Labor fees refer to wage-like expenses paid to working personnel directly engaged in the project.

If the entities with which the working personnel of the project are affiliated with receive grants from financial and public institutions, labor fees shall be paid by the entities from public institutional grants in full amount to project working personnel in accordance with applicable national regulations, and shall not be expended again in project funds.

(2) Equipment fees

Equipment fees refer to expenses for purchasing special devices and instruments required for the implementation of the projects.

If equipment fees have already been arranged through other funding or if existing equipment and instruments can meet work requirements of the project, they shall not be expended again in project funds.

(3) Energy and material fees

Energy and material fees refer to expenses on raw materials, fuels and power, low-valued consumables directly consumed when implementing the projects.

(4) Leasing fees

Leasing fees refer to expenses for leasing worksite, equipment or instrument that are required for implementing the project.

(5) Appraisal and acceptance fees

Appraisal and acceptance fees refer to expenses for the testing, appraisal and acceptance that are required when implementing the projects.

(6) Other necessary expenses when implementing the projects

Each of the above fee items shall be executed according to applicable national regulations if there are such national spending standards.

Chapter Five Assessment and Monitoring

Article Twenty Finance department of the State Council and responsible department of the State Council shall conduct nonscheduled inspection to the use of Special funds for Development.

Article Twenty-One Entities or individuals that undertake the projects shall, level by level, report specific implementation of Special funds for Development to responsible department of the State Council in accordance with applicable national regulations.

Responsible department of the State Council shall examine the use of Special funds for Development, prepare and report annual final accounts of Special funds for Development, and submit the annual final accounts of the previous year to the State Council for review and approval by the end of March of every year.

Article Twenty-Two Special funds for Development is for designated uses, and no withholding

or peculation is allowed by any entity or individual.

Besides being penalized administratively according to applicable national regulations, those who diddle, withhold, or peculate Special funds for Development by means of making false statements or false claims must recoup all Special funds for Development already appropriated and submit them to central finance.

Chapter Six Supplementary Articles

Article Twenty-Three Responsible department of the State Council shall, in conjunction with finance department of the State Council, formulate specific administrative methods.

Article Twenty-Four Finance department of the State Council shall be responsible for the interpretation of this Method.

Article Twenty-Five This Method shall be executed from [month] [day], 2006.