

Renewable Energy Development Act

Amended Date: May 1st, 2019

Article 1

For purposes of encouraging renewable energy use, promoting energy diversification, improving energy structure, reducing emission of greenhouse gases, improving environmental quality, assisting relevant industries, and enhancing sustainable development of the country, this Act is specially formulated.

Article 2

The competent authorities referred to in this Act are: The Ministry of Economic Affairs at the central level; the municipal governments at the municipal level; the county (city) governments at the county (city) level.

Article 3

Definitions of terms used in the Act:

1. Renewable energy: Refers to solar energy, biomass energy, geothermal energy, ocean energy, wind energy, non-pumped storage hydroelectric power, energy generated by direct use or treatment of domestic general waste and general industrial waste, or other energy approved for sustainable use by the central competent authority.
2. Biomass energy: Refers to energy generated from direct use or treatment of vegetation, marsh gas, and domestic organic waste.
3. Geothermal energy: Refers to energy from soil, rock, steam or hot spring below the natural surface of the earth.
4. Ocean energy: Refers to energy generated from the temperature difference between waters, sea waves, ocean currents, tides, salinity gradient, or other sources.
5. Wind power system: Refers to energy generated from wind power is converted into electricity.

6. Offshore wind power system: Refers to energy generated from wind power is converted into electricity with offshore wind farm installed in waters outside the subtidal line and not exceeding the bounds of territorial sea.

7. Small hydropower: Refers to hydropower generated in ditches or the installed capacity of the system is less than 20,000 kilowatts.

8. Hydrogen energy: Refers to energy generated from hydrogen produced from decomposing water, from bacteria or algae decomposition or fermentation, or from other sources of renewable energies for the purpose of energy use.

9. Fuel cell: Refers to a device that converts chemical energy generated by electrochemical reaction from hydrogen and oxygen into electric energy.

10. Heat utilization of renewable energy: Refers to utilization of energy by heat or fuel instead of power generation.

11. Renewable energy power generation facility: Refers to renewable energy power generation facility ratified by the central competent authority pursuant to regulations under Paragraph 4 of Article 4 except for facilities of non-small hydropower facilities generating energy from burning waste directly.

12. Avoided cost: Refers to the average yearly cost of self-generating or purchasing non-renewable energy power from other suppliers. 13. Renewable energy certificates (RECs): Refers to a certificate issued after the issuing authority conducts verification of renewable energy power generation facilities and their capacity.

14. Energy Storage facility: Refers to a facility for power storage and power maintenance, including storage units, power conversion facilities, and power management systems.

The subtidal line of offshore wind power system prescribed in Subparagraph 6 in the preceding paragraph shall be announced by the central competent authority.

Article 4

The central competent authority shall consider the domestic climate, energy demand characteristics, and the economic benefits, technological development, and other factors of different renewable energies upon promoting renewable energy power generation facility.

The renewable energy power generation facilities with the installed capacity of more than 2,000

kilowatts shall be recognized by the central competent authority. Those facilities with installed capacity of less than 2,000 kilowatts shall be recognized by the municipal or county (city) competent authority.

Renewable energy power generation facility approved by the central competent authority according to the regulations prescribed in the preceding paragraph shall be applicable to the parallel connection and wholesale purchasing provisions stipulated under this Act.

The regulations on the energy category, installed capacity, inspection method, approval procedure and other relevant matters for compliance of the renewable energy power generation facility in the preceding paragraph shall be stipulated by the central competent authority.

Electricity enterprises may install self-use renewable energy power generation facility with installed capacity of less than 2,000 kilowatts.

Article 5

When the installed capacity of self-use renewable energy power generation facilities is less than 500 kilowatts, the facilities are not subject to regulations governing the placement of a directorial engineer prescribed in Article 71 under the Electricity Act.

As for renewable energy power generation facility, unless otherwise stipulated in the preceding paragraph, Article 4, 8, 9 and 14, the application for installation, constructions, operation, supervision, registration and management are subject to the relevant provisions under the Electricity Act.

The aforesaid constructions include design, supervision, installation, operation, renovation, inspection and maintenance.

Article 6

The central competent authority may take into account the renewable energy's development potential and the impact on the domestic economy and stable power supply in order to set the promotion objectives for renewable energy and the percentage of each category and formulate and announce development plans and initiatives for the next two years and by 2025; meanwhile, the promotion objectives for the total amount of electricity generated by renewable energy power generation facility by 2025 is set to be more than 27,000,000 kilowatts.

The municipal and the county (city) governments shall assist in evaluating the potential for the

development of relevant renewable energy in their areas pursuant to the aforesaid plans and objectives.

The central competent authority shall review the categories of renewable energy prescribed in Paragraph 1 in terms of the economic benefits, technological development and relevant factors of different renewable energies.

The promotion objectives and schedule for heat utilization of renewable energy shall be stipulated by the central competent authority depending on the economic benefits, technological developments, and relevant factors.

Article 7

The central competent authority should establish a renewable energy development fund in order to develop renewable energy. The sources of income of the aforesaid fund are as follows:

1. An amount of fees calculated at a certain percentage of its retailing amount of electricity generated from non-renewable energy charged from electricity retailing enterprises;
2. An amount of fees calculated as a certain percentage based on the amount of electricity generated by the self-use power generation facilities paid by those who install self-use power generation facilities of non-renewable energy;
3. The budget allocated by following the budget processes; and
4. Other related income.

Regulations governing the collection, procedure, deadline, certain percentage, certain installed capacity, and other relevant matters regarding the fund shall be prescribed by the central competent authority.

The aforesaid fund in Paragraph 1 shall be used for the following purposes:

1. to subsidize renewable energy facilities;
2. to conduct the resources inventories, subsidize demonstration cases, promote the use of renewable energy, and assist in setting up certification institutions;
3. to subsidize the development of power generation and storage of renewable energy;
4. to spend the fund on or subsidize the recognition and audit of renewable power generation facilities in relation to this Act.
5. for other purposes related to the development of renewable energy approved by the central competent authority.

The renewable energy development fund shall prefer subsidizing the renewable energy power generation facility installed in indigenous areas.

The fees paid by the electricity retailing utility enterprise to the fund pursuant to Subparagraph 1 of Paragraph 2 shall be in line with the formulae that calculate the rates of electricity prescribed in Paragraph 1 of Article 49 under the Electricity Act.

Article 8

When an operator of renewable energy power generation facilities puts in request for connection to the power grid, Article 8 and 18 under the Electricity Act shall be applicable. The technical regulations on parallel connection to the power grid shall be drafted by electricity transmission and distribution enterprises and shall be submitted to the central competent authority for approval.

In the situation in which an electricity enterprise connects to the power grid according to the preceding paragraph, the costs of bolstering the power grid in addition to the existing networks may be shared by renewable-energy-based electricity generating enterprises and electricity transmission and distribution enterprises. The cost-sharing mechanism shall be provided by electricity transmission and distribution enterprises and shall be submitted to the central competent authority for approval. The central competent authority may invite relevant government agencies, scholars and experts, and organizations to form a committee to review the cost-sharing mechanism.

When the installed capacity of renewable-energy-based electricity generating enterprises and self-use renewable energy power generation facilities installed is less than 2,000 kilowatts, the installers may independently or jointly set up transformer facilities, install networks, and connect to the power grid. The rights and obligations of jointly setting up facilities shall be reached through negotiation between the installers. In case of any disputes, the regulations prescribed in Article 19 shall apply mutatis mutandis.

The installer of renewable energy power generation facility shall install and maintain the circuits connecting renewable energy power generation facilities and power grid; the electricity transmission and distribution enterprises with which its power generation facilities are paralleled to the installer's facilities shall provide assistance when necessary; the renewable energy power generation facility installers shall bear the costs incurred.

Article 9

The central competent authority shall invite the relevant government agencies, scholars and experts, and organizations to form a committee to validate the wholesale purchase rate and such calculation formula for the renewable energy power generation facility generated electricity, and when necessary, hearings may be held in accordance with the Administrative Procedure Act prior the announcement of the said rate and formula, and the aforesaid wholesale purchase rate and calculation formula may be reviewed or amended in considering the technical progress in power generation, changes in cost, goal achievement and related factors of each type of renewable energy on an annual basis.

The rate calculation formula in the preceding paragraph will be stipulated by the central competent authority through integrated consideration for the average installation cost, service life, operation and maintenance fees, annual electricity generation capacity, fisheries compensation, electricity development assistance fund, maintenance and decommissioning cost, remote -sites, and related factors for each type of renewable energy power generation facility in accordance with each type of renewable energy.

When renewable energy power generation facilities are installed in indigenous areas, the weighed wholesale purchase rates shall be taken into integrated consideration.

The electricity generated by renewable energy power generation facilities shall be purchased by the electricity retailing utility enterprise at wholesale except for direct supply, wheeling, private use, and reselling to the renewable-energy-based electricity generating enterprises prescribed under the Electricity Act.

When the electricity retailing utility enterprise purchases electricity generated from renewable energy at wholesale according to the preceding paragraph, the enterprise shall sign a contract with the installers of renewable energy power generation facilities, and the contract shall be submitted to the central competent authority for future reference.

From the date this Act is promulgated and enters into force, the electricity generated by an installer of renewable energy power generation facilities will be purchased at the wholesale purchase rate announced by the central competent authority as prescribed in Paragraph 1 when the installers sign a contract with the electricity retailing utility enterprise according to regulations prescribed in the preceding paragraph.

When the electricity generated from renewable energy for direct supply or wheeling according

to the Electricity Act is sold at wholesale according to this Act, or when surplus electricity is sold at wholesale according to this Act, the electricity rate announced at the time the renewable energy power generation facilities start to run shall be applicable.

When an operator signs an electricity purchase and sale contract with an electricity enterprise before the promulgation and implementation of this Act, the electricity generated by its renewable energy power generation facilities can be purchased at wholesale at the original rate. Renewable energy power generation facilities under any of the following circumstances shall be purchased at wholesale either at the avoided cost or the rate referred to in Paragraph 1, at the comparably lower rate:

1. Prior to the promulgation and enforcement of this Act, enterprises already in operation that have not entered into electricity purchase and sale contracts with electricity enterprises.
2. Enterprises in operation for over twenty (20) years.
3. Enterprises who installed such facilities after the nationwide gross installed capacity of renewable energy power generation facilities has reached the total amount of electricity generated by renewable energy power generation facilities as set forth in Paragraph 1 of Article 6.

The avoided cost in the preceding paragraph will be formulated by the electricity retailing utility enterprise and submitted to the central competent authority for approval.

Article 10

The cost of bolstering the power grid of electricity transmission and distribution enterprises pursuant to Paragraph 2 of Article 8 and the cost of purchasing electricity generated from renewable energy at wholesale of the electricity retailing utility enterprise pursuant to Paragraph 6 of the preceding article shall be in line with the calculation formula of the electricity rate and other rates prescribed by the central competent authority according to Paragraph 1 of Article 19.

Article 11

For renewable energy power generation facilities and energy storage facilities with development potential, in the preliminary stage of technical development, the central

competent authority may provide relevant reward encouragement within a certain period for the purpose of demonstration.

For cooperatives, civil power plants jointly established by the public of a community, or renewable energy power generation and energy storage facilities installed in indigenous areas, the central competent authority may provide relevant reward within a certain period for the purpose of demonstration.

Regulations governing the aforesaid reward for demonstration shall be prescribed by the central competent authority.

Article 12

In the event of new construction, expansion, reconstruction of public construction or public buildings by government bodies (institutions), public schools, state-run enterprises, the construction conditions in compliance with the terms of renewable energy installation shall have priority installation for renewable energy power generation facility.

The construction conditions in compliance with the terms of renewable energy installation in the preceding paragraph will be stipulated by the central competent authority in consultation with the central authority concerning such matters.

When the chartered capacity on electricity consumption agreements signed by the user of electricity exceeds a certain capacity, the user shall install on their own or provide space to install renewable energy power generation and storage facilities with certain installed capacity or purchase a certain amount of electricity generated from renewable energy and a certificate; If the user fails to take actions according to the aforesaid regulations, the user shall pay monetary substitution to the competent authority for the purpose of the development of renewable energy.

The aforesaid chartered capacity, certain installed capacity, certain amount, categories of the renewable energy power generation facilities installed, categories of storage facilities, payment of monetary substitution and calculation formula, schedule and other relevant matters will be stipulated by the central competent authority.

To be in line with the characteristics and planning of the local development, the local

governments may prescribe and implement stricter autonomous laws and regulations within their jurisdiction than the aforesaid regulations.

Article 13

The central competent authority may consider reasonable costs and profits for the following heat utilization of renewable energy and shall prescribe regulations on subsidies and reward for heat utilization according to the effectiveness of their energy contribution:

1. Heat utilization of solar energy.
2. Biomass fuel.
3. Other renewable energy heat utilization technologies with development potential.

For the heat utilization in the previous Paragraph, such subsidy expenses for the substituted portions of petroleum energy may be financed by the Petroleum Fund under the Petroleum Administration Act.

Reward expenses for the exploitation of fallow land or idle land for agriculture, forestry, animal husbandry to plant energy crops for producing biomass fuel will be financed by the Agricultural Development Fund; regulations governing such reward eligibility, conditions and subsidy methods, and schedule shall be prescribed by the central competent authority in conjunction with the Council of Agriculture of the Executive Yuan.

Article 14

For those renewable energy power generation facilities that exceed a certain installed capacity determined by the central competent authority, the rights acquisition, usage procedures and handling of the land required by such renewable energy power generation facilities and power supply lines, Article 38 to 44 of the Electricity Act shall apply mutatis mutandis.

For the installer of renewable energy power generation facility on a land owned by indigenous people or in an indigenous tribe and on the public land in a certain range of neighboring area, Article 21 of the Indigenous Peoples Basic Law.

The term and the procedures for renewable energy power generation facilities and power supply lines to lease needed public land shall be longer than the effective duration of the electricity enterprise license, without subjection to Article 43 of the National Property Act, the

Forestry Act, Article 25 of the Land Act, and limits regarding the term of lease and procedures prescribed by local public property administration regulations.

Article 15

For the use or acquisition of land for renewable energy power generation facility and relevant facilities for its power transmission and transformation, the provisions relating to public utilities or public facilities under the Urban Planning Law, Regional Plan Act and related laws and regulations shall apply mutatis mutandis.

National property provided for installing renewable energy power generation facility may appropriate a certain percentage of revenue to provide the local municipal government or county (city) government without subjection to the limits prescribed in Paragraph 1 of Article 7 of the National Property Act. The range, certain percentage, procedures for payment, and regulations governing the use will be stipulated by the central authority concerning such matters.

Renewable energy power generation facility and relevant facilities for its power transmission and transformation installed in coastal zones shall be included in the coastal management plan; the provision in Paragraph 1 of Article 31 in the Coastal Zone Management Act shall be mutatis mutandis.

In the event of leasing national or public forest due to land use required by renewable energy power generation facility and relevant facilities for its power transmission and transformation, the provisions relating to public utilities or public facilities under Article 8 of the Forestry Act shall apply mutatis mutandis.

For land dedicated to renewable energy power generation facility and relevant facilities for its power transmission and transformation which are situated in fishing port areas, the provisions under Article 14 in the Fishing Port Act relating to general facilities of the fishing port shall apply mutatis mutandis.

Establishment of the burning type of biomass energy power plants should be limited to industrial areas with the exception of electricity generated from marsh gas power.

Article 16

Where construction or operation machineries, equipment, special means of transport for construction use, training materials and such required components imported by corporate legal persons for the construction or operation of renewable energy power generation facilities are proved by the central competent authority that such use is verified and not domestically manufactured or supplied, import tariffs shall be exempted.

If devices imported by corporate legal persons in the preceding paragraph are already domestic manufactured or supplied, after the central competent authority proves the veracity of its use, with adequate guarantee, such import tariffs may be paid in installments after one year, beginning from the date of completion of the project.

Where the renewable energy power generation facilities for self-use imported by natural persons are proved by the central competent authority that such use is verified and is not domestically manufactured or supplied yet, import tariffs shall be exempted.

In case where the imported goods are exempt from import tariffs or there is payment of such tariffs by installments per the three preceding Paragraphs, Article 55 of the Customs Act shall apply when a transfer of ownership or a change in use occurs.

Regulations governing tariffs exempt or paid in installments referred to in Paragraph 1 to 3 shall be prescribed by the Ministry of Finance in consultation with relevant authorities.

Regulations governing application procedures for evidentiary documents and the range of items and compliance matters for natural persons' self-use of renewable energy power generation facilities shall be prescribed by the central competent authority in consultation with relevant authorities.

Article 17

Renewable energy power generation and utilization system related facilities, depending on different facility characteristics, are exempt from application for miscellaneous licenses in accordance with provisions under the Building Act when its installed capacity, height or square footage is less than a certain scale.

The standard of installed capacity, height or square footage of facilities exempt from application for miscellaneous licenses referred to in the preceding paragraph shall be prescribed

by the central competent authority in conjunction with the central competent authority of building.

Article 18

When necessary, the central competent authority may require renewable energy power generation facility installers to provide operation information of such facilities and send employees or mandate professional institutions to carry out the inspections; the aforesaid installers shall not evade, impede or refuse such inspection.

Enterprises referred to in Subparagraph 2 of Paragraph 2 of Article 7 that are equipped with self-use non-renewable energy power generation facility exceeding a certain installed capacity shall compile its business conditions into abbreviated monthly reports and further compile annual reports within three months after the end of each business year to submit to the central competent authority for recordation; the central competent authority may request such enterprises to provide supplementary explanations or send personnel to carry out inspections, to which the self-use power generation facility installers shall not evade, impede or refuse to comply.

Electricity retailing enterprises and electricity transmission and distribution enterprises in operation according to Paragraph 6 of Article 7 and Article 10 shall compile a report containing relevant information of the amount of electricity generated from non-renewable energy, the amount of electricity generated from renewable energy they purchase at wholesale, the cost of purchasing electricity generated from renewable energy, and the cost of bolstering the power grid to submit to the central competent authority according to the preceding paragraph. The central competent authority may request such enterprises to provide supplementary explanations or send personnel to carry out inspections, to which the self-use power generation facility installers shall not evade, impede or refuse to comply.

The inspection methods and report format referred to in the preceding three paragraphs shall be prescribed by the central competent authority.

Article 19

For disputes that arise between renewable energy power generation facility installers and electricity enterprises, either party shall apply for mediation by the central competent authority prior to initiating an action, to which the other party shall not refuse.

The central competent authority shall invite scholars and experts as mediators for the dispute referred to in the preceding paragraph.

A successful mediation shall take the same effect as a settlement in litigation; an unsuccessful mediation shall seek arbitration or litigation proceedings.

Regulations governing the application, procedures and relevant matters for mediation referred to in Paragraph 1 and 2 shall be prescribed by the central competent authority.

Article 20

Under any of the following circumstances, the central competent authority shall provide notice of improvement within a designated time period; enterprises that fail to improve by the designated time period shall be imposed with a fine of NT\$300,000~NT\$1,500,000 and will be ordered to make improvements once again within a designated time period; enterprises that still fail to improve shall be continuously penalized per each instance:

1. Failure to pay the fund in accordance with subparagraph 1 or 2 of Paragraph 2 of Article 7.
2. Failure to purchase electricity generated by renewable energy facilities at wholesale in accordance with Paragraph 4 of Article 9.

Article 21

For violation of Paragraphs 1 and 2 or 3 of Article 18 where the enterprises evade, impede or refuse an audit or inspection, the enterprises may be penalized with a fine of NT\$300,000~NT\$1,500,000.

Article 22

For violation of Paragraphs 1 and 2 or 3 of Article 18 where enterprises fail to provide and report information, fail to provide and report information on time, provide and report false information or fail to cooperate by providing supplementary explanation, the central competent authority shall provide notice of improvement within a designated time period; enterprises that

FORMOSAN BUSINESS SUPPORT Co., LTD.



Tel.: +886-4-22178700

Fax: +886-4-22178667

Add.: 3F, No. 179, Fuhuiyuan Blvd., Taichung City 407, Taiwan

E-mail: info@formosanbs.com

fail to improve by the designated time period will be imposed with a fine of NT\$200,000~NT\$1,000,000 and will be ordered to make improvements once again within a designated time period; enterprises still without improvement shall be continuously penalized according to each instance.

Article 23

This Act shall enter into force as of the date of promulgation except for the revision of Article 7 under the amendment to this Act on April 12, 2019 and the deletion of Paragraph 1, 2, and 4 of Article 10 under the old Act; the date for enforcement of the revision and deletion will be set by the Executive Yuan.

FDI · PROJECTS · CONSULTANCY

FORMOSAN BUSINESS SUPPORT Co. LTD.

Tel.: +886-7-9722750

Fax: +886-7-9722886

Add.: 31F-11, No. 3, Ziqiang 3rd Rd., Kaohsiung City
802 Taiwan

www.formosanbs.com