

Law 57-07 on Renewable Sources of Energy Incentives and its Special Regimes

THE NATIONAL CONGRESS In the Name of the Republic

Law 57-07

WHEREAS: FIRST: Renewable energy and fuel represent a potential which contribute and favor the boost of the country's regional, rural and agro industrial development.

WHEREAS: SECOND: It is the State's duty to promote the development of renewable sources of energy, in order to achieve the consolidation of the development and macro-economic growth, as well as the stability and strategic security of the Dominican Republic; as it is a lower cost option for the country in the long term and therefore should be encouraged and supported by the Estate.

WHEREAS THIRD: The Law on Hydrocarbons No. 112-00 and its Regulations, have implemented a fund originating from the tax difference on the fossil fuel, to be kept as 5% of such difference beginning on the year 2005, for being used in programs aimed to the incentive of development of renewable energy sources and energy savings and such resources shall be used and optimized efficiently and clearly for the purposes they were created for;

WHEREAS FOURTH: The Dominican Republic does not have any known fossil fuel sources that can be considered in trading volumes, and this contributes to increase the dependency on external sources, not only in the consumption of imported fuels and non renewable sources, but also in the technological and financial dependency in general;

WHEREAS FIFTH: The Dominican Republic is signatory and has ratified several conventions and international agreements, such as the United Nations Framework Convention on Climate Change and the Kyoto Protocol, whereby the country engages to undertake the actions in producing renewable energy that reduce the effects of gas emissions contributing to global warming.

WHEREAS SIXTH: It is on the State's interest to organize and promote the development of new energetic technologies and the local adequate application of known technologies, allowing the competition between the cost of clean alternative energy sources, coming from natural resources, and the energy produced by hydrocarbons and its derivates, which provoke a negative impact on the environment to the atmosphere and

biosphere. Consequently the research, development and application of such new technologies must be encouraged.

WHEREAS SEVENTH: For the Dominican Republic, as a tourist destination, it is important to exploit as an ecological attractive, the use of clean non-polluting energies, as this will enhance the eco-tourism potential.

WHEREAS EIGHTH: The country has a wide variety of primary sources of renewable energy, amongst which are the ones originating from farming agriculture, and may contribute to reduce the dependency on imported fossil fuels if its exploitation is developed and hence, have a high strategic value for the country's supply and or its exportation.

WHEREAS NINTH: At present new alternative system of energy, fuel and improvement are being developed not only in the country but worldwide, coming from the traditional hydrocarbons as well as the system used by them, which shall be encouraged as a method of economic compensation in order to make them competitive as regards their countless environmental and socio-economic benefits.

WHEREAS TENTH: The tolerable blending of carburant alcohol, bio-diesel or any other bio-fuel with the fossil fuels imported used by the motor vehicles and electric generators, substantially reduce the contaminating gas emissions and the green house effect, and therefore the environment degradation and at the same time reduce the national expenditure in foreign exchange.

WHEREAS ELEVENTH: The actual conditions and future perspectives of sugar markets and sweets are putting limitations, hindrances to the production of sugar cane and the use of the wide portions of sugar cane plantations of national production and such limitations have taken the sugar businesses to an uncertain situation, which has extended to sugar cane communities and thousands of sugar entrepreneurs who have been in this area for many years.

WHEREAS TWELFTH: The country's high potential for the production of sugar cane, in terms of land availability and skills of farmers in such tasks, facilitate the implementation of a Program for the Production of Carburant Alcohol (ethanol) in autonomous distilleries and or as part of the sugar mills, as well as other bio-fuels; and

WHEREAS THIRTEENTH: After the signature of CAFTA-RD/TLC shall come into force mutual commercial opening agreements with Central American Countries, many of which economies are based in renewable sources of energy which are a competitive advantage facing the economy and the producers of the Dominican Republic.

ANALYZED: Laws 2071, of 31 July 1949, which enforces adding the anhydride alcohol to gasoline sold in the country as a fuel of internal explosion; law 64-00 dated 18 August 2000, on Environment and Natural Resources; Law 112-00 dated 29 November 2000, which sets forth the Tax on the Consumption on Fossil Fuel and Petrol derivatives,

(Law on Hydrocarbons); Law 125-01 dated 26 July 2001 on Electricity and its Regulations.

SEEN: Decrees Nos. 557-02 on Electric Generation with Bio-masse in Sugar Mills; Law 732-02 on Carburant Ethanol Incentive; Law 58-05 on the forming of IIBI from the former INDOTEC.

ENACTS THE FOLLOWING LAW

CHAPTER I

First Article - Definitions. For the purposes herein described and its application regulations, the following definitions shall apply:

- a) **Self Producers:** Such self power generating entities and enterprises used for their own consumption, irrespectively of their productive process and eventually sell their power surplus to third parties;
- b) **Bio-Fuel:** Any fuel solid, liquid, or gas, obtained from vegetal sources (Bio-mass) or from municipal, agricultural or industrial waste or of organic type;
- c) **Bio-diesel:** Bio-fuel produced from vegetable oils originating from oil plants, as well as any other non fossil oil;
- d) **Bio-Ethanol (or Ethanol)** Bio fuel produced from vegetable bio-mass, cellulose and ligno-cellulose, sugar liquors or sugar cane juice, processed from the cellular preparation, hydrolysis (acid or enzymatic), fermentations, distilling and any other technology;
- e) **Hourly Blocs:** Periods where the generation costs are similar, determined in function of the technical and economic characteristics of the system;
- f) **CNE:** National Commission for Energy: State institution created by Law 125-01, mainly in charge of creating the State policies for the energy sector and responsible for following up on the enforcement of this law;
- g) **Co-generators:** Refers to those entities or corporations using the energy produced in their processes in order to generate power for their own consumption and eventually for the sale of their surplus;
- h) **Definitive Concession:** .Authorization from the Executive Power granting the applicant the right to build or exploit electric works, according to this law or any other law regulating this matter;

- i) **Provisional Concession:** Administrative resolution of the Electric Superintendence, granting the faculty to enter public or private domains in order to carry on fact studies related to electric works;
- j) **National Consumption of Electric Energy:** The total sum of electric energy handed over to the commercialization networks; does not include self consumption through private installations and or private emergency generators;
- k) **Marginal Supply Cost:** Cost incurred in order to supply an additional unit of the product for a given level of production;
- l) **Medium Cost:** Total costs, per energy unit and power, corresponding to the investment, operation and maintenance of an electric system in efficiency conditions;
- m) **Updated Total Cost:** The addition of all the costs incurred in different dates, updated at a determined moment, through the corresponding discount rate;
- n) **Connection Right:** Difference between the annual cost of the transmission system and the right of use estimated for the year;

The procedure to determine the connection right is as set forth in the Regulation for the application of the General Electric Law which replaces it;
- n) **Right of Use:** Payment to which they are entitled the owners of the lines and sub-stations of the system by third parties. The procedure to determine the right of use is set forth in the Regulation for the Application of the General Law on Electricity;
- o) **Distribution Company:** Electric company which main objective is to operate a distribution system and is responsible for supplying electric energy to its final users;
- p) **Transmission Company:** Dominican Transmission Company (ETD), power company which main objective is to operate an interconnected transmission system to offer the service of transmission nation wide;
- q) **Hydro Electric Company:** An Hydro-Electric Generation Company (EGEHID), State electric company in charge of constructing and operating State built hydroelectric units;
- r) **Power:** Anything that can be transformed into work;

- s) **Firm Power:** Maximum expected net energy production in a period of time under dry hydrological conditions for the units or hydrologic generation and of unexpected availability for the thermo generating units;
- t) **Non Conventional Power:** Includes any renewable energy, save for the hydro electric over 5MW and the electric use of bio-mass. It may include other non renewable energies, but in special applications such as co-generation or new applications with similar benefits such as saving on the use of fossil fuels and non pollution;
- u) **Measuring Equipment:** Group of tool and technological equipment used to measure and registering the electricity delivered at the measuring points.
- v) **Availability Factor in a Generating Headquarter:** Is the result of dividing the energy that may generate the available power at the plant during a certain period, normally a year, and the energy corresponding to its maximum power;
- w) **Primary Power Sources:** Are those related to the natural physical origin, non technological, source of the energy to be exploited, transformed or generated. There are four origins:
 - a) Solar Origin (producing wind power, rains and hydro-electric, photo-voltaic, oceanic from the waves and sea streams, and photosynthesis power, accumulated in the hydrocarbons and vegetal bio-mass);
 - b) moon and gravity origin, producing **ocean-motor power** (from sea tides);
 - c) geologic origin, producing volcanic and geo-thermal power;
 - d) Atomic origin, which allows the development of nuclear power;
 - e) Others.

These sources may be divided in renewable (sun, wind, tides, waves, bio-mass, geo-thermal, hydraulic, etc.) and non renewable (such as petrol, natural gas, mineral carbon, and atomic power).
- x) **Renewable Sources of Energy:** Includes every source capable of being continuously re-established after certain use, with no considerable alterations to the environment, or that may be available in such a way that can be used during thousand years without significant erosion. Includes urban, agricultural and industrial waste derived from bio-mass;

- y) **Power Generation with Renewable Sources:** Generated power using as primary source the wind, bio-mass, biogas, organic or municipal waste, the waves, sea tides, water streams, geothermic power and any other renewable source non used in significant proportions. Also includes the small (micro and mini) hydroelectric operating streams and or hydraulic falls and non conventional power sources equivalent to renewable sources in respect to the environment and saving of imported fuel;
- z) **Hydrogen:** For the purposes of this law, it refers to the fuel obtained by different technologies using as primary energy the one coming from renewable energy;
- aa) **Fermented Sugar Liquors:** Those obtained from cellulose and ligno-cellulose material through hydrolysis and destined exclusively to produce bio-fuel;
- bb) **Spot Market:** Refers to the market involving power purchase and sales transactions at a short term, non based in contracts entailing economic transactions made at a Short Term Marginal Power Cost and Marginal Power Cost;
- cc) **Advisory Board:** Group of specialists formed by a representative of any of the institutions responsible for the country's power development, which main objective would be to respond the queries, offer advice, cooperation and support to the National Energy Commission (CNE) in its function of analyzing, evaluating and authorizing with transparency the incentives to the renewable energy projects that may qualify to enjoy the same terms set forth by the law;
- dd) **Wind Park:** Refers to the group of wind towers installed to produce power in order to be transformed and transmitted to a public network for distribution and commercialization
- ee) **Transmission Toll:** Amounts to which the line and substation owners are entitled in respect of the right of use and connection;
- ff) **PEER:** Renewable Energy Power Producers;
- gg) **Permit:** Authorization granted by the competent authority, prior to the approval of the Power Superintendent, to use and occupy with electric works national or municipal properties of public use;
- hh) **Hydro Plants:** Plants for processing of starch , cellulose, and ligno-cellulose material from vegetable origin (bio-mass) through process of

hydrolysis and fermentation processes exclusively designed to produce sugar liquors for fermentation in ethanol bio-carbon production plants;

- ii) **Connected Power:** Maximum power required by a final user given the connection capacity and its installation;
- jj) **Point Power:** Maximum power in the annual charge curve;
- kk) **Available Power:** Means the available power at each moment, the higher power that the generator may operate, discounting the programmed stops for maintenance, the forced distensions and power limitations due to installation failure;
- ll) **Firm Power:** Is the power that may supply each generating unit during peak hours with high safety, as defined by the Regulations for the Application of the General Electricity Law;
- mm) **Prime:** Compensation to guarantee the investment profitability in renewable energy sources. The Prime is a variable to be regulated by the Electricity Superintendent (SIE);
- nn) **REFIDOMSA;** Dominican Petroleum Refinery, an anonymous corporation owned jointly by the State and Shell Co.;
- ññ) **SEMARENA:** Ministry of Environment and Natural Resources;
- oo) **Public Distribution Utility Service:** Supply, under regulated prices, made by a distribution company to final users located in its operation area, or connected to the installations of the distribution through own lines or third party's lines;
- pp) **Easement:** Lien registered on a real estate property which forces the owner to allow certain acts of use or abstain of exercising certain rights inherent to the real estate property;
- qq) **S.I.E.** Electricity Superintendent. Is the government body in charge of regulating the national power sector;
- rr) **Transmission System:** Group of lines and sub-stations of high voltage connecting sub-stations to the generating headquarter plants with the bar selector switch of the power transformer in the distribution substations and other consumption centers. The power control center and the charge dispatch are part of the transmission system;
- ss) **Interconnected System or National Interconnected Power System (SENI):** Group of installation of generating power units, transmission

lines, power substations and distribution lines, interconnected, that allows the generation, transporting and distribution of power, under the operations programming of the coordinating body;

- tt) **Final User or Consumer:** Means the natural or corporate person, client of the supplying company, using power for its use;
- uu) **Cooperative User:** Refers to the member of a generating and or consumption group, of renewable energy or a group of distribution of power in general;
- vv) **Non Regulated User:** Refers to the user which monthly demand is over the limits established by the Electricity Superintendent to classify as a public service user and that complies with the requirements set forth by the Regulations for the Application of the General Electricity Law;
- ww) **CDEEE:** Dominican Corporation of Electric State Enterprises;
- xx) **Wind Tower:** Is a structure for support and transforming wind power converted to mechanic power and electric through turbo generators in its superior part, moved by rotating blades (of horizontal or vertical shafts) activated or pushed by wind. Such structures can be from ten to sixty meters high (micro turbines) and a capacity of two hundred to six hundred (200 to 600) KW of power, there are also towers of over 80 meters high (macro turbines) and with a several megawatts capacity;
- yy) **Aerial or Measuring Tower:** An antenna with a wind measuring device (anemometer) and storage of electronic data, located in places where the installation of wind towers is projected;
- zz) **Energy Market Quota:** Percentages goals on the total country's power or fuel consumption that may be allocated and guaranteed to be supplied by the production or generation of national renewable sources, through a previous assessment of the feasibilities of such production by the National Energy Commission, complying with the requirements ordered by this law and its regulation for the adequate development of the renewable energies.

CHAPTER II SCOPE, OBJECTIVE AND LIMITS OF APPLICATION

Second Article .- Scope.- This law constitutes the main regulatory framework and shall be enforced nationwide, in order to encourage and rule the development and investments in projects that benefit from any renewable source of energy and aim to receive the benefits of such incentives.

Third 3.- Objectives of the Law.- Strategic and public interest objectives of this regulation are the following:

- a) To increase the country's power diversity, in connection with the self supply capacity of the strategic components which are the fuel and non conventional sources of energy, provided they result more viable.
- b) To reduce the dependency of imported fossil fuels;
- c) To promote the private investment projects, developed through renewable sources of energy;
- d) To ensure that participation of private investment in power generation supplied to SENI is subject to the compliance with the rules and regulations of the competent bodies, according to public interest;
- e) To mitigate the negative environmental impacts of the energetic operations with fossil fuels;
- f) To promote social community investment in renewable energy projects;
- g) To contribute to decentralization of power and bio-fuel production in order to increase the market competition amongst the different power offers; and
- h) To contribute to the achievement of proposed goals of the National Energetic Plan specifically to that related to the renewable sources of energy, including bio-fuels;

Fourth Article .- Regional Offer Limit.- Only in the aspect related to the electric power generation with renewable sources of energy destined to the network (SENI), the SIE in coordination with CNE, shall set the limits to the offer concentration per province or region, and the percentage of penetration of electric power for each sub-station of the transmission system, with the objective of promoting safety in the stability of the electric flow inserted to SENI in connection with the national and regional balanced development of these sources of energy, when the infrastructures and the available resources allow it. Such law regulations shall include a reference to the basic criteria of the regional offer in connection to the available resources and necessary infrastructure.

Fifth Article .- Scope of Application.- Any project of public, private, mixed, corporate, or cooperative installation devoted to power or bio-fuel production of the sources described below, may apply for the incentives herein set forth, prior supplying sound evidence of physical, technical, environmental and financial viability:

- a) Wind parks and isolated applications of wind mills with an initial installed capacity (in total) that does not exceed 50 MW;
- b) Small and micro hydroelectric installations with a capacity not exceeding 5 MW;
- c) Electric and solar installations (photovoltaic) of any type and any power level;
- d) Electric plants using as a main fuel source primary bio-mass, that may be directly used or after a transforming process to produce energy (a minimum of 60% of primary energy) with an installed power capacity not exceeding 80 MW per thermo dynamic or central unit;
- f) Bio-fuel plants (distilleries or bio-refineries) of any magnitude or production volume;
- g) Energy farms, plantations or agro-farming or agro-industrial infrastructures, of any kind destined exclusively to the production of bio mass destined to energetic consumption, of vegetable or pressure oils to produce bio-diesel, as well as hydrolyzing plants producing sugar liquors, (glucose, xilose and others) to manufacture carbon ethanol and or energy and bio-fuel);
- h) Installation of oceanic exploitation, either from waves, sea currents, thermal differences in oceanic waters etc. of any magnitude;
- i) Thermo-solar installations of medium temperature devoted to the obtaining sanitary warm water and air conditioning in association to absorbing equipment to produce cold.

Paragraph I.- The limits set forth per project may be enlarged or duplicated, provided that the projects and concessions have installed at least 50% of the original capacity required and subject to the compliance with all the deadlines set forth by the regulations for the approving and installation process, and the financial process and purchase has been completed in 50% of the original project. The concession enlargement shall follow the administrative filing of the concessions, as set forth by Article 15 for concessions in the special electric regime and the article regulating the special regime for bio-fuel.

Paragraph II.- In the event of hydroelectric power not exceeding 5MW, the State may allow and grant concessions to private or particular business, complying with the regulations herein set forth, interesting in exploiting the existing hydroelectric power either natural or artificial that have not been yet exploited, even if they are located in the State infrastructure. As an exception to Paragraph IV of Article 41 and 131 of the General Electricity Law. Such hydroelectric concessions to private enterprises or

associations or cooperatives, shall be subject to the design and operation requirements that safeguard the use of alternate and priority water resources, in a manner that may not result in an adverse effect by the use of water for generating power, and in this respect, the complementary regulations to this law shall contemplate and enforce this objective, together with the environmental requirements for basin protection.

Sixth Article - National Energy Commission: The National Energy Commission is the State institution created by Article 7 of the General Electricity Law No. 125-01, dated 26 July 2001, mainly in charge of creating the Dominican government policy for the energy sector and responsible of following up the compliance of this law.

Seventh Article.- Creation and Integration of Advisory Board.- A supporting technical entity, created as CNE exclusive advisory organ. The reports of this board shall be required by CNE for its decision making, but shall not have a binding character.

The advisory board shall have the following permanent members:

- a) A representative of the Ministry of Industry and Commerce;
- b) A representative of the Ministry of Environment and Natural Resources;
- c) A representative of the Ministry of Economy, Planning and Development;
- d) A representative of the Dominican Corporation of State Electric Enterprises (CDEEE).

Paragraph I. The Advisory Board shall have the following ad-hoc members, that shall be called as the case and project characteristic may require:

- a) A representative of the Ministry of Agriculture;
- b) A representative of the Ministry of Higher Education, Science and Technology;
- c) A representative of the Electric Superintendence (SIE);
- d) A representative of the Dominican Hydroelectric Generating Enterprise (EGEHID);
- e) A representative of the Institute for Innovation in Biotechnology and Industry; (IIBI);
- f) A representative of the National Hydraulic Resources Institute (INDRHI)
- g) A representative of the Dominican Electric Transmission Enterprise (ETED);

- h) A representative of the General Internal Tax Directorate (DGII);
- i) A representative of the General Customs Directorate (DGA);
- j) A representative of the Autonomous University (UASD) Energy Institute;
- k) A representative of the Dominican Petrol Refinery;
- l) A representative of the National Sugar Council (CEA);
- m) A representative of the National Directorate for Norms and Quality Systems (DIGENOR).

Paragraph III .- CNE may also gather the opinion of the associate producers of renewable energies.

Eighth Article - Attributions of the National Energy Commission (CNE).

- a) To authorize or reject, after a technical and economic assessment, according to the type of project, every applications to the incentives herein.
- b) Produce certifications, documentation and registration regarding the use and controlling of such incentives, as set forth by the regulations herein;
- c) To monitor the correct application of the law as well as its regulations, and guarantee the best use of the incentives herein created;
- d) To undertake the administrative and judicial actions aiming to prosecute and sanction the non compliance with the provisions and regulations herein;
- e) To know and decide on the review resources submitted by the interested parties within the deadlines set forth by the regulations;
- f) To submit an annual report, to the National Congress on plans and programs execution of renewable sources of energy and
- g) To comply with the regulations enacted by the Executive Power on the procedures that shall regulate the application of this law.

Paragraph I.- Amongst the attributions of CNE are the supervision , through the application of the corresponding regulations, the clear and efficient use of the public funds specialized by virtue of Law 112-00 of 29 November 200, which sets forth a tax on the consumption of fossil fuels and petroleum derivates and of the General Electricity

Law, No. 125-01 of 26 July 2001, which are specifically allocated to programs and projects of incentive for development of renewable sources of energy at a national level and for programs of efficiency and rational use of energy.

Paragraph II.- CNE, as per the provisions that regulate the use of funds in the foregoing paragraph, shall manage the necessary allocations for the adequate equipment and training of the Biotechnology and Industry Innovation Institute (IIBI) as well as other similar institutions in conditions of granting the adequate scientific technological support not only for the research projects and development in the matter they are launched but also for the assessment and controlling of the authorized projects.

CHAPTER III GENERAL INCENTIVES FOR PRODUCTION AND USE OF RENEWABLE ENERGY

Ninth Article .- Tax exemption. The National Commission of Energy (CNE) shall recommend the exemption of any import tax levying equipments, machinery and accessories imported by the enterprises or individuals, necessary for the production of renewable sources of energy as contemplated in Paragraph II herein, which, according to the regulations related to this law, apply to the incentives herein created. The exemption shall be of 100% of such taxes. This incentive also includes the import of equipment devoted to transforming, transmission or interconnection of electric energy to SENI. For those projects based in renewable sources which comply with this law. The equipment and materials within this chapter shall also be exempted from payment of the VAT (ITEBIS) and from all taxes levying the final sale.

Paragraph I.- CNE subject to consulting with the Advisory Board, shall recommend in its annual report to the National Congress the enlargement of the list of equipment, parts and systems that due to their usefulness and the use of renewable sources of energy may be considered to benefit in the future of the exemption regime herein described.

Paragraph II. List of Equipment, parts and Systems to receive custom tax exemption are as follows:

- a) Individual Photovoltaic panels and solar cells to assemble the panels in the country (custom subheads 85.41, 8541.40.10 and 8541.90.00);
- b) Long duration stationary accumulators;
- c) Invertors and or converters indispensable for the functioning of the renewable sources of energy;
- d) Fuel batteries and equipment and devices destined to generating hydrogen.

- e) Hydrogen generating equipment and its purifiers, rectifiers and meters for production coming from water, alcohol or bio-mass.
- f) Synchronic invertors to dispatch to the network the surplus power in its neat measuring;
- g) Hydraulic turbines and its regulators (entry No. 84.10, 8410.11.00, 8410.12.00 and 8410.90.00);
- h) Turbines or wind motors or wind generators (entry 84.12, 8412.80.10 and 8412.90);
- i) Solar water heaters or steam production that may be of rubber, plastic of metal, and adopt any technology such as plain plaque, pipes, or parabolic mirrors or any combination of the above. (entry 84.19);
- j) Necessary part and components to assemble solar collectors to heat water (entry 84.19);
- k) Steam turbines with a power no higher than 80 MW and mixed steamers, based solely in the combustion of biomass resources and municipal waste. It may include equipment using auxiliary fuel in special applications, provided this is not over 20% of fuel used (entries 84.06, 84.06, 84066.1.00; 8406.82.00 84.90.00 and mills: 84.02, 8402.90.00 and 8402.19.00 and 84.04; auxiliary devices of steamers entries 84.02n).
- l) Turbines and accessory equipment for sea source energy conversion: waves, sea tides, deep currents or ocean thermal energy (entries 84.10, 8410.11.00, 8410.12.00 and 8410.90.00);
- m) Low gas generating equipment, air gas or water gas, digesters and treating equipment for biogas production from the agriculture biomass waste, acetylene generators, and similar gas generators by moist way including the treating equipment (entries 84.05 and 8405.90.00);
- n) Fuel Alcohol production equipment, bio-diesel and synthetic fuel from products and agricultural or industrial waste (entries 84.19, 8419.40.00 and 8419.50)

Tenth Article.- Income Tax Exemption.- A 10 years income tax exemption commencing at the inauguration of the operations, until 2020, is granted to those incomes deriving of the generation and sale of power, hot water, steam, motor power, bio fuels, or synthetic fuel above described, generated from renewable sources of energy, as well as from income originated from the sale and installation of equipment, parts and systems as described in Article 8, paragraph II herein, produced in the national territory with a minimum added value of 35% to the enterprises which installations have been approved

by CNE, as set forth in Articles 5 and 7, paragraphs I and II respectively, devoted to production and sale of such energy, equipment, parts and systems.

Eleventh Article. – Tax Reduction to External Financing.- It is reduced to 5% the tax applied to interest of external financing set forth by article 306 of the Tax Code, modified by the Amendment of the Tax Bill 557-05 dated 13 December 2005, for those projects covered by the provisions herein.

Twelfth Article.-Tax Incentive for Self Producers.- In connection to the renewable energy technology associated to each project, a credit up to 75% of the cost of equipment investment to be deducted from the income tax, to those owners or tenants of family houses, commercial houses or industrial that change or enlarge to renewable sources of energy systems for the provision of their private power consumption and which projects have been approved by the competent government bodies. Such tax credit shall be deducted in the three (3) following years to the tax on the annual income to be paid by the beneficiary in a proportion of 33.33%. The General Tax Directorate shall request a certification from the National Energy Commission regarding the authenticity of such application. CNE and Internal Tax Directorate shall regulate the procedure to obtain this tax incentive.

Paragraph II. The regulations shall include the limits of applicable incentives to each technology.

Thirteenth Article.- Community Project Incentives.- Every and all institution of social interest (community organizations, producers associations, registered mutual groups) willing to develop renewable energy sources at a small scale (up to 500KW) and destined to a community use, may access financial assistance funds at the lowest market rate for developing these projects, for up to 75% cost of the works and its installation. To this end, CNE shall affect annually 20% of the resources placed in the fund for the development of renewable energy projects and energy savings, as set forth in law 112-00 dated 29 November 2000, which establishes a consumption tax for fossil fuel and petroleum derivatives.

Fourteenth Article. Certificates and or Bonds for Reduction of Polluting Emissions.- The certificates or bonds for reduction of emissions (Carbon) executable according to the Kyoto Protocol, and that may originate from the renewable energy project, shall belong to the owners of such projects for their commercial benefits. Such certificates shall be issued by the competent body in charge of assessing the reduced emission of these projects, according to the official protocols of the clean development mechanisms, set forth or to be implemented by the Ministry of Environment and other institutions.

CHAPTER V SPECIAL REGIME FOR POWER PRODUCTION

Fifteenth Article.-Special Regime. The production of electric power shall benefit of the special regime herein set forth, provided that installations do not exceed the limits set forth in Article 5, and when the primary renewable energy sources used are within the description thereof, and have been duly approved and registered as to benefit from the provisions of this law.

The power production under a special regime shall be governed by the provisions set forth by a special regulation and in the non regulated aspects shall be governed by the general regulations on power production.

Sixteenth Article. Concessions. The construction, exploitation, substantial modification, transmission and closing of power production installations under the special regime shall be governed by the provisional concession regime, regulated as provided by the General Electricity Law and the regulations herein set forth.

In order to qualify as a beneficiary of the incentives herein, the independent producer or the interested company, shall file their preliminary application upon the National Energy Commission, supported by the project's technical and economic studies for a preliminary approval to be submitted upon the Electric Superintendence. The applicants shall detail the technical and safety conditions of the proposed installations as set forth by the regulations herein provided and by the General Law on Electricity No. 125-01 of 26 July 2001, as well as the corresponding compliance with the protection conditions for environment together with the legal, economic and technical capacity required for the type of production to be developed. The National Commission on Energy, upon receiving the report from the Electric Superintendence shall register the project in the Special Regime Registry for Power Installation and Production for beneficiaries therein.

The applications, permissions or concessions that have been submitted or granted prior to the approval of this law, and that have not been adequately classified as an exploitation, shall be reintroduced, re-assessed and ratified –totally or partially-in order to obtain the definitive concession to be accredited and receive the benefits herein contained.

The exploitations of power production facilities from renewable energy sources, shall be filed upon the Special Regime Registry for Installation of Productions.

Upon granting of the definitive concessions, the Electricity Superintendence (SIE) shall inform periodically the National Energy Commission (CNE) regarding the data affecting the conditions that determined the granting, according the regulations set forth for each type of energy source. Definitive concessions may not be transferred or assigned to other holders until the associated installations to the concession are operating.

The lack of express resolution of the authorizations shall have rejecting effects.

Seventeenth Article.- Rights and Obligations of Power Producers. Any power generating installation under the special regime interested in obtaining the benefits herein set forth, after obtaining the registration in the Special Regime Registry for Installation of

Productions and the pertaining permits of SIE, environmental permits as well as environment impact studies of SEMARENA and its related institutions and any other official institution as may be deemed necessary, in its relations with the distributors shall have the following rights:

- a) Right of connection in parallel of its generating group or groups to the distribution and transmission network ;
- b) Right to transfer to the system, through the electric distribution company, its productions or energy surplus;
- c) To receive the wholesaler price plus the incentives herein granted;
- d) To the benefits granted by Paragraph III of Article 41, Chapter I, Title IV of the General Electricity Law, regarding the reimbursement of the costs incurred by the Generating Enterprises to transport (lines and inter connection equipment) its power to the more adequate points, but this article 41 being enlarged, in a way that its connection may be, with the distribution companies, (as well as the Dominican Electric Transmission Company (ETED) and receive the reimbursement from these companies.

Paragraph: Energy producers subject to the special regime shall have the following obligations:

- a) To comply with the technical generation, transport and technical management system norms,
- b) To adopt the security norms, technical and homologation regulations and and certification of the installation and instruments set forth;
- c) Abstain of assigning to final consumers the non used power surplus, if they do not have the approval from SIE;
- d) Facilitate information to the administration related to production, consumption, power sale and any other information required.
- e) To comply with the norms regarding permits and environmental impact studies required by the General Law on Environment and Natural Resources No. 64-00 dated 18 August 2000, and its regulations.

Eighteen Article.- Retribution Regimes . The holders of installation with power levels under or equal to the ones set forth in Article 5 thereof, and registered permanently at the Special Regime Registry for Installation Production shall not have the obligation of formulating offers to the wholesale market for such installations, but shall have the right to sale the power production to the distributors at the power production market marginal cost, complemented or divided by a prime or incentive for compensation for the positive

external elements, not covered by the markets, or by a long term financial guarantee, as per the fossils market circumstances and its determination in the medium and marginal costs of the local market.

The term medium cost refers to the total cost by energy unit or power, corresponding to the investment, operation and maintenance of an electric system in efficiency conditions.

Marginal cost refers to the cost incurred to supply an additional product unit for a given level of production. The retribution obtained by the producers (Generators) subject to the special regime by transferring power shall be as follows:

$$R = CM + - Pr$$

Where

R= Retribution in pesos /KW hr, effectively served.

Cm= marginal cost of SENI

Pr= Prime for each type of renewable source of power generation.

CNE shall recommend SIE, a minimum price for each type of renewable energy handed over to SENI. Such price shall cover the guarantee for a minimum value to pay for the renewable energies that shall maintain the adequate incentives to investments. Additionally, CNE is authorized to recommend SIE the maximum price corresponding to each type of renewable energy. These reference values (minimum and maximum) shall be revised annually.

The regulations that complement this law for each one of the activities of the special power production regime from renewable sources shall define the primes applicable in each case, on a periodic manner, and their main objective shall be the creation of a stable and durable regulatory framework, securing the project's financial profits on the long term, according to international standards for each type and that guarantees the compensation for the ecological and economic benefits that the country expects from the renewable energy.

Nineteenth Article.- Power Market Quotas.- CNE previous consultation with the Advisory Board, depending on the results obtained by this law, establish or reserve an obligatory quota of the total power market and or the total fuel market –of the total national annual consumption registered by SENI and REFIDOMSA, respectively, - to be secured to be accepted and paid outside the Spot Market in the case of electric energy- or the import market in the case of fuel- to the renewable energy sources and or bio-fuels.

Twentieth Article.- Power Surplus sent to the networks.- The Distributing Enterprises shall be obliged to purchase the surplus at prices regulated by SIE, prior to analysis and

recommendation of CNE, from the regulated and non regulated users that install system to benefit from renewable sources to produce power with the possibility of generating surplus that may be sent to every SENI network.

The economic transactions related to these sales shall be adjusted to the provisions of the General Law on Electricity, No. 125-01, of 26 July 2001 and its Regulations.

Paragraph.- In the event that any technological innovation allows new forms of renewable energy not foreseen by these regulations, CNE may, in a provisional manner, apply as an assessment period, within the regulations in force, the time that it considers more appropriate to regulate the new source of energy.

Twentieth First Article.- Every authority of electric sub-sector shall cause that 25% of the service needs for 2025 shall be supplied from renewable energy sources. For 2015, at least 10% of the energy purchased by the distributors and trading companies shall originate from renewable sources of energy.

CHAPTER V SPECIAL REGIME FOR BIO-FUELS

Twentieth Four Article.- Implementation of the Special Regime for Bio-Fuels. A special regime for bio-fuel is hereby created. The fossil fuels used in motor vehicles of internal combustion for ground transportation in the national territory, shall be mixed with specific bio-fuel proportions.

The mixing proportions shall be gradually established by CNE in collaboration with the pertinent institutions, considering the country's offer capacity of the above mentioned fuels, the need to secure a market to local producers of such fuels and the tolerance of the combustion motor vehicles to this mix, without the need of alterations to the mechanical functions or structure of the referred vehicles.

The bio-fuel producers shall sell their final products to the wholesalers to make the mixing of the fossil fuels and in their case including additives. The distribution functions shall be executed by the wholesalers.

The carburant alcohol (bio-ethanol) shall be mainly used, extracted from the processing of sugar cane or from any other bio-mass in the country, form mixing related to gasoline, and bio-diesel (vegetable diesel) obtained from national oleo-cultivation or from imported oils in case of deficit of raw materials, for the case of mixings with diesel.

When national production results insufficient to secure the supply of an adequate service, prior to the recommendation of the National Energy Commission (CNE), the Ministry of Industry and Commerce shall authorize the necessary imports to this end.

Paragraph: The regulations related to the special regime for the different bio-fuels shall set the norms and quality standards and procedures for its blending and commercialization. Such regulations shall be drafted by the National Energy Commission and the Advisory Board.

Twenty Third Article.- Tax Exemption.- A 10 years exemption on income tax, duties, contributions fees, import taxes, exchange fees and any other tax commencing at the inauguration of the operations, until 2020, is granted in favour of those companies or industries specifically and exclusively devoted to bio-ethanol and bio-diesel production as well as any other synthetic fuel of renewable source resulting equivalent to bio-fuels in respect of its environmental effects and foreign currency savings, as set forth by articles 9,10, and 11 herein.

The bio-fuels or synthetic fuels of renewable source shall be exempted from the taxes applied to fossil fuels, whereas the bio-fuels do not reach a production volume equivalent to twenty per cent (20%) of the national consumption volume in each category, in which case they might be subject to a differential tax to be determined and only when they are applied for internal use.

Paragraph I. The aforementioned exemptions shall include machinery and other specific components necessary for the production of bio-fuels, by the distilleries or bio-refineries or by the cellulose hydrolyzing plants, either autonomous or merged to the distilleries or the sugar mills or other industrial plants.

Paragraph II. The exemptions herein described shall not apply to bio-fuels, alcohols, vegetable oils and sugar liquors with non carburant purposes and not destined for the local power market. Bio-fuel production destined to external market shall be granted certain exemptions only if the purchase of basic local raw material (solid or liquid bio-mass: sugar cane, sugar liquors, oil bio mass or vegetable oils, etc.) in hard currency with an operating system similar to the industrial free trade zones.

Paragraph III. To access to the benefits herein set forth, the bio-fuel producers elaborated from the production in agricultural plantations, shall comply with the programs for industrialization of crops to be formulated by the National Energy Commission as well as the labour and immigration regulations.

Twenty Fourth Article.- The Fuel Retribution Regime.- Prices are only fuel prices are only guaranteed in such bio-fuels subject to be blended with fossil fuels of local consumption, and regulated by the Ministry of Industry and Commerce (SEIC) for the percentages or blending volumes established for each type of fuel in the local market.

- a) **Prices to bio-fuel producers.** The purchase price to be paid shall be determined by the market through the offer and demand rule, to a maximum price to be determined by SEIC.

$$P_{\text{BioC}} = (PIB_c + PPI) / 2 \pm C$$

Where

P BioC= Final price of local fuel

PIBc= International Market Price of the Bio-Fuel

PPI= Parity Price of Local Import (SEIC)

C = Compensation prime or standard of the bio-fuel.

- b) **Prices to Bio-Fuel consumers in gas station and or equivalents in the national market.**- An official sales price shall be determined in the gas stations or retail selling premises that contemplates the same mechanism applicable to SEIC to determine the hydrocarbon prices, where the Import Parity Price (PPI) shall be replaced by the Final Price of the Local Bio Fuel (P BioC) and shall not include, the calculation to the final price of the blended fuel, the proportion of taxes (the differential), to the substituted fossil hydrocarbon, in benefit of the consumer, as it is not applicable under the terms of Article 22 herein, as are not applicable the associated import costs.

According to the following formula:

$$PvC m= PCf \%PBC\%$$

Where

The Pv Cm = Official sales price of the volume unit of the blended fuel.

PCf% = Official sales price of the hydro carbon, according to the existing percentage in the volume unit already blended.

PBc %= Official price for the Bio-Fuel (P Bioc) as per the existing percentage in the volume unit already blended.

Paragraph I. – The regulations complementing this law for each one of the type of bio-fuels to be mixed or replaced by the fossil fuels of the Special Production Regime from renewable sources of energy, shall define the value of the compensation prime –positive or negative- which shall apply in any case, in a periodic manner, having as an objective the articulation of a stable and long lasting regulating framework which secures the long term financial profits of the renewable projects according to the international standards for each type, and moreover that guarantees the compensation for the ecological and economic benefit (positive external elements) received by the country from those renewable sources.

Paragraph II. While the local production volume of bio-fuels does not exceed ten percent (10%) of the national consumption for each item, the hydrocarbon blend shall be mandatory in the available proportion as related to the production volume and as long as the quality norms are complied with in every area of retail. Once this capacity of 10% is exceeded these retailers may discriminate the offer, selling separate blended or not blended fuel, only when the blended fuel results in a lower price than the one for hydrocarbons separately and in benefit for the consumer.

Paragraph III: As an exception and temporary measure shall be considered the possibility of using pure bio-fuel, without blending with fossil fuels, in car pools belonging to public organizations or in demonstrations or awareness meetings. CNE shall provide the promotion and implementation of the Flex fuel system or any other similar one.

Twenty Fifth Article.- The companies devoted to the production of carburant alcohol or bio-diesel, or any other bio-fuel, and that have agreed to provide local market in order to guarantee a quota of such market, may, once the agreed supply needs of internal quota are satisfied, export the surplus, if there were any.

Twenty Sixth Article. The sugar companies installing distilleries close to their sugar mills under the provisions of this law, shall comply with local and preferential sugar quotas assigned for the market set forth by the Dominican Sugar Institute (INAZUCAR) from which they benefit prior to this law.

Twenty Seventh Article. –Regulations, Terms and Elaboration.- CNE in collaboration with other institutions from the Advisory Board, and together with other institutions as deemed appropriate, shall elaborate a Regulation for each type of renewable energy.

Each regulation shall be drafted in a term no longer than 90 working days, from the enacted of this law. The energies with more request for development and investment, shall have priority. Additionally, the CNE shall elaborate the regulations referred to in Paragraph III of Seventh Article. 7.

Twenty Eight Article.- The corresponding regulation for this law, regarding blends of fossil fuels, its distribution, sale and installed capacity and consumption in the blends of fossil fuel and alcohols shall be formulated by the Ministry of industry and Commerce (SEIEC) prior study and recommendation from CNE 90 days after the enactment of this law.

Twenty Ninth Article. The National Energy Commission (CNE) in collaboration with all the other institutions as deem appropriate, shall elaborate in a deadline no longer of 90 days, from the date of the enactment of this law, the regulation on the agricultural crops that are renewable energy sources in 25% of the land property of the State Sugar Council.

CHAPTER VI

PENALTIES AND GENERAL PROVISIONS

Thirtieth Article.- The misuse or deviation of the equipment and machinery favored by the tax exemptions herein described shall be penalized with a penalty equivalent of three (3) times the amount exempted, notwithstanding other penalties that may be set forth as a result of other offences. The Court shall also order the confiscation of such machinery and equipment.

In case of re-offence there shall be, notwithstanding the above described penalties, the revocation of license or concessions granted. Moreover, it shall also include the prohibition to maintain trade or business relations with the public sector institutions for a period of ten (10) years.

In case such breaches are committed by entities, the sanctions shall apply to the administrator and main shareholders.

The confiscated Equipments and machineries shall be sold in auction.

Thirty First Article.- The non compliance by any of the concessionaries of the obligations herein set forth shall be penalized with a penalty of 50 to 200 salaries of public sector minimum wage. Reiterative breach shall entail the revocation of the licenses or benefits granted. Similar sanction shall apply to bio-fuel producers incurring in any breach to the obligations herein set forth.

Thirty Second Article.- This law revokes Law 2071 of 31st July 1949, on Ethanol, as well as any other legal, administrative or regulatory provision in such aspects that may be contrary.

Thirty Third Article.- Validity.-This law shall be in force as of the date it has been passed.

PASSED at the Sessions Hall of the Chamber of Deputies, National Congress, in Santo Domingo de Guzman, National District, Capital of the Dominican Republic, this seventeenth (17) day of January of the year two thousand and seven (2007), year 163 of the independence and 144 of the Restoration

Julio Cesar Valentín Jiminián
President .

María Cleofia Sánchez Lora
Secretary

Teodoro Ursino Reye
Secretary

PASSED at the Sessions Hall of the Senate, National Congress, in Santo Domingo de Guzman, National District, Capital of the Dominican Republic, this twenty fourth (24) day of April of the year two thousand and seven (2007), year 164 of the independence and 144 of the Restoration

Reinaldo Pared Pérez
President .

Diego Aquino Acosta Rojas
Secretary

Amarilis Santana Cedano
Secretary

LEONEL FERNÁNDEZ
President of the Dominican Republic

As per the attributions conferred by Article 55 of the Constitution of the Dominican Republic.

PROMULGATE the law herein and order its publication at the Official Gazette for public knowledge and enforcement.

PASSED in Santo Domingo de Guzmán, Capital of the Dominican Republic, this seventh (7th) day of may of the year 2007, year 163 of the Independence and 144 of the Restoration.

LEONEL FERNÁNDEZ