



Japan. On August 26, 2011 the Diet passed the Renewable Electric Power Act, which will introduce “feed-in-tariff” regime for **electric power generated from renewable sources.**

Upon the effectuation of the Renewable Electric Power Act as of July 1, 2012, the Renewable Portfolio Standards Act, which currently obligates electric power companies to generate certain portion of electric power from renewable sources, will be repealed.

Under the Renewable Electric Power Act, electric power companies will be obliged to purchase power generated from renewable

sources such as solar, wind, hydro, geothermal and biomass for certain contractual periods and at prices to be determined by the Ministry of Economy, Trade and Industry of Japan ("METI") on an annual basis.

The purchase prices will be determined considering, among other factors, (a) the estimated costs incurred by the suppliers and (b) the estimated amount of renewable electricity to be supplied. It is expected that power purchase agreements in early years will be entitled to a higher purchase price than later years. The contractual periods of the power purchase agreements will be determined considering the standard depre-

ciation period of the generation facilities, with periods of 10 to 20 years.

The Act allows costs incurred by the electric power companies for the purchase of renewable electricity to be recovered through imposing **surcharges to end-users**, in proportion to the amount of energy used in addition to the amount usually charged for the supply of electricity. The basis for calculating the surcharge amount will be determined by METI on an annual basis.

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