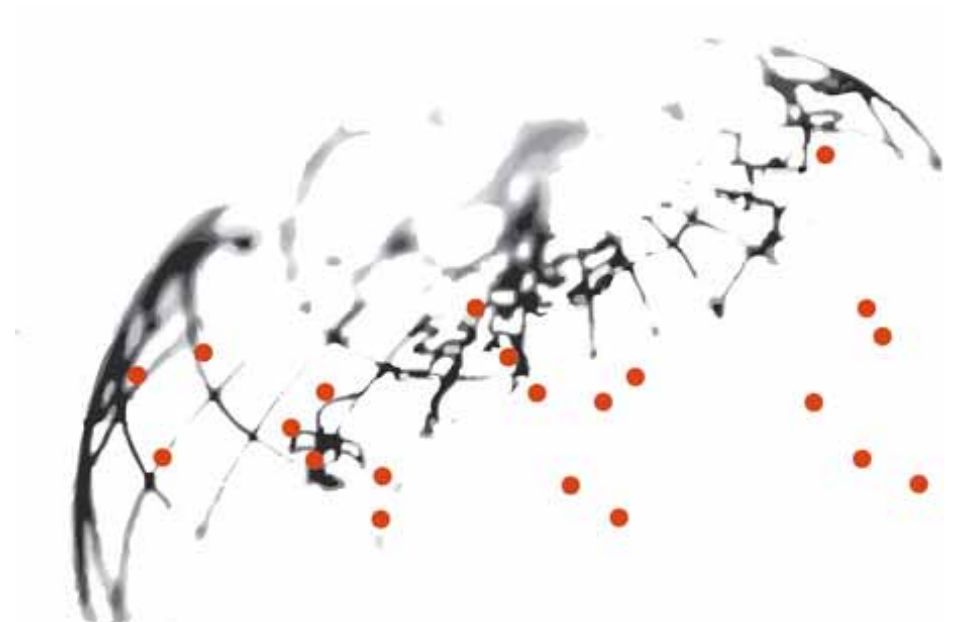


Asia: Renewables and Clean Tech Opportunities All Energy Australia

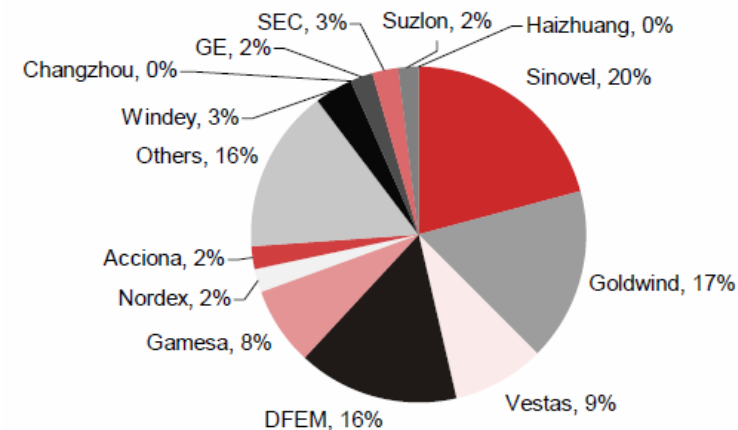
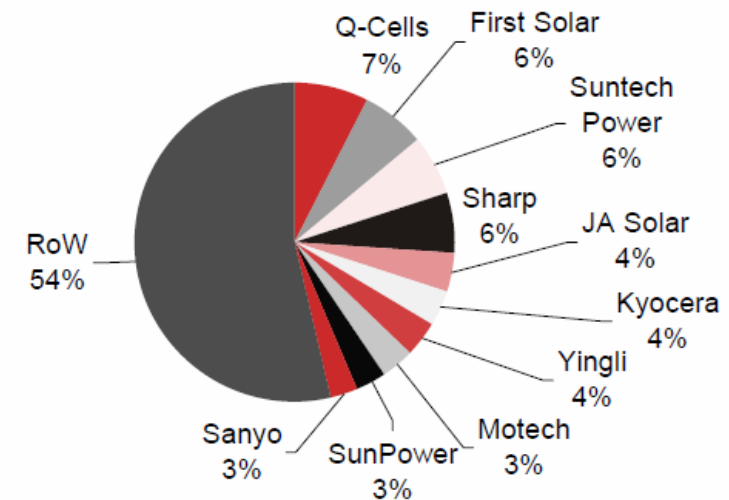
Tom Luckock
Partner
Beijing

Norton Rose LLP
October 2009



Regional Round Up: Clean tech

- Simple tested technologies:
 - CCS, plug in vehicles, CMM, solar PV
 - Opportunities to commercialise quickly, cheaply and (PRC CCS in 6 months)
 - BUT IP issues
- Current success: solar PV (30% of global market): Consolidation
- Next success: 70 PRC turbine manufacturers: Consolidation
 - Turbines 40% cheaper but only 1.5MW
 - Product liability issues
- Investors bringing technology attractive



Source: Nomura Climate Change 2007

Snapshot of Carbon market

- Activity decreasing with falling carbon prices
 - Compliance buyers and carbon funds
 - Banks limited role in market
 - Some restructuring of deals
- Gradual shift away from China
 - Floor price issues (EUR8 and EUR10.5)
 - Post 2012 uncertainty in China (post 2012 LOA)
- Post 2012: SE Asia has more certainty
 - Thailand, efficient DNA
 - Indonesia, large potential but regulators difficult

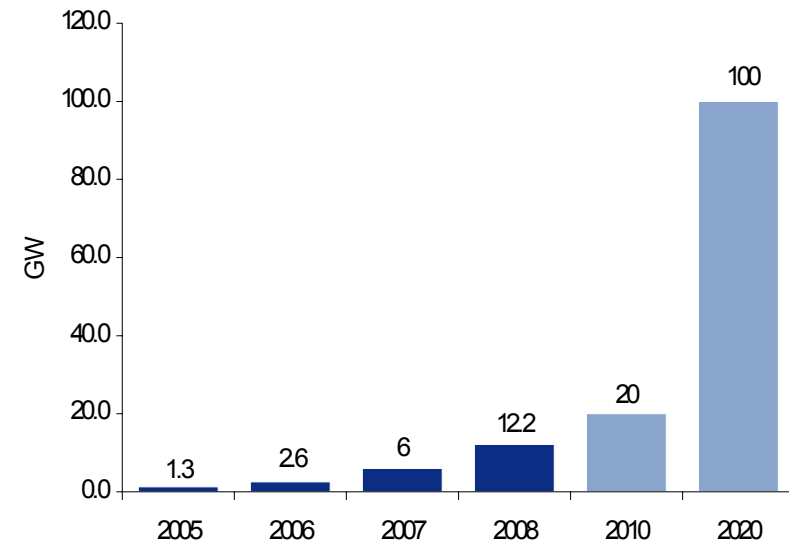
Introduction to PRC Renewables

- 130GW of wind in pipeline - locally financed and developed
 - Technology opportunities - foreign projects double IRR
- Renewable Energy Law: Free connection and grid offtakes everything
 - Practice - developers pay upfront and reimbursed
 - Practice - grids paying 6 months late and not offtaking
 - 1 year PPA rolled over for 30,000 hour
- CDM revenues about 2%-20% of project revenues
 - Need to be 51% PRC owned
- Equity funding roadblocks and limited non-recourse funding

Wind



- 50MW: easy approval
- Power and CER revenues (IRR 7%-20%)
 - Tariffs: RMB0.56 to RMB0.6 (wind)
 - Locked in for 30,000 hours
- Key risks around grid
 - Equity funding roadblocks: projects too small
 - Grid connection, dispatch and payment

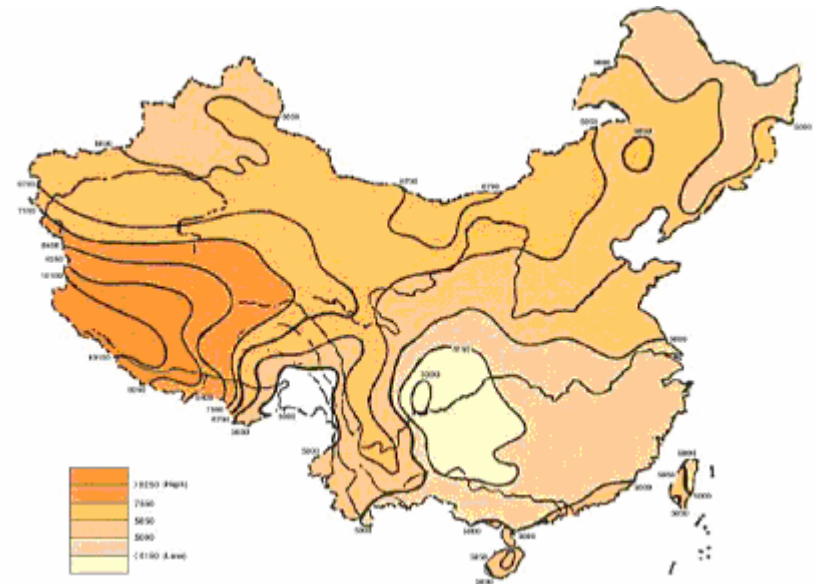


PRC wind capacity projections

Solar



- All solar simple approvals
 - Approvals started 12 months ago (no CSP)
 - Aim to mop up excess PV capacity
- Revenue from power (CERs largely irrelevant)
 - Tariffs RMB4 to RMB1.1 – haven't stabilised (AUD0.20 cents)
 - Potential for subsidies (Thai tariffs attractive)
 - 1 year PPA rolled over for 25,000 hours
- Key risks around immature market
 - Significant upfront investment
 - Weak grid in many parts of China
 - Regulatory vacuum: tariffs and regulations



Source: Nomura Climate Change 2007

Coal Mine and Coal Bed Methane



- Australia leading technology, but with few exceptions not in market
- Extract methane and generate power or produce LNG
- Outside R/E law: no guaranteed offtake / connection
- Revenue from power and CERs (CMM) LNG (CBM)
 - Tariffs negotiated with mine owner that offtakes
- Key risks around methane ownership and operations:
 - Coal mines shut down, explosion risks difficulties extracting gas
 - PRC regulations make CER revenues uncertain
 - Difficulties connecting to grid
 - CBM require designated PRC partner
 - Ownership of methane

Water**Hyflux**[®]**JGC CORPORATION****Marubeni**

- China 22% of worlds population but 7% of water – water is the new power!
 - Numerous small waste water treatment
 - Larger 200,000m³ per day
- Waste Water Treatment, Desal and Distribution
 - Desal – power supply risk (but can pass thru to offtaker)
 - Waste water – pricing and receivables risks for govt offtakers
 - Costs plus reas return (around 12%)
 - Pricing adjustments politically difficult
 - Govt offtakers cashflow issues (PRC govt risk not same as elsewhere)

How deals structured in practice

- Set up JV with local partner
 - Initial registered capital RMB15M increasing to RMB150M (avoids cash trap)
 - Structure through SPV – change of ownership without notice to authorities
 - Approvals have tight expiry time frames
 - Assign project pipeline to foreign investor (but enforceability)
- Project documents adapted for China
 - Understand key approvals, key risks AND Practice!
 - Enforcement difficulties mean care in allocating risk
- Finance (Limited non-recourse finance, but can be creative)
 - Thin cap rules limit gearing to 66% to 80%
 - Security – land, assignment of PPA, parent guarantee (but documents late in project cycle)

Norton Rose LLP: Asia Clean Energy

- Global Renewables Law firm of Year 2009
- NR involved in projects that have reduced emissions by 200M tonnes up to 2012 (almost half of Australia's annual emissions)
- Next year Deacons joins Norton Rose Group
- More than 140 + CDM projects and 4GW of renewables in Asia
 - ADB on first wind financing in China
 - Third solar project in China
 - Largest water project in China
 - One of largest wind projects in China (1GW)

Norton Rose LLP: Clean Energy Contacts

Tokyo

Chris Viner

chris.viner@nortonrose.com

Tel: +81 3 4360 9140

Jamie Munro

Jamie.Munro@nortonrose.com

Tel: +81 3 436 09139

James Morson

James.morson@nortonrose.com

Tel: +81 3 5218 6825

Beijing

Tom Luckock

tom.luckock@nortonrose.com

Tel: +86 (10) 8448 8881

Ding Ying

ying.ding@nortonrose.com

Tel: +86 (10) 8448 8881

Singapore

Nick Merritt

nick.merritt@nortonrose.com

Tel: +65 6309 5318

Hannah Logan

hannah.logan@nortonrose.com

Tel: +65 6309 5331

Bangkok

Somboon Kitiyansub

somboon.kitiyansub@nortonrose.com

Tel: +662 263 2811

Tassanai Kiratisountorn

tassanai.kiratisountorn@nortonrose.com

Tel: +662 263 2811

London

Stephen Rigby

stephen.rigby@nortonrose.com

Tel: +44 (0) 20 7444 3525

Simon Currie

simon.currie@nortonrose.com

Tel: +44 (0) 20 7444 3402

Anthony Hobley

anthony.hobley@nortonrose.com

Tel: +44 (0) 20 7444 2727

Our International Practice

Asia

Abu Dhabi
Bangkok
Beijing
Hong Kong
Jakarta
Shanghai
Singapore
Tokyo

Middle East

Bahrain
Dubai
Riyadh

Russia

Moscow

Europe

Amsterdam
Athens
Brussels
Frankfurt
London
Milan
Munich
Paris
Piraeus
Prague
Rome
Warsaw



Disclaimers

- 1 No individual who is a member, partner, shareholder, employee or consultant of, in or to any constituent part of Norton Rose Group (whether or not such individual is described as a “partner”) accepts or assumes responsibility, or has any liability, to any person in respect of this publication.
- 2 Any reference to a partner means a member of Norton Rose LLP or a consultant or employee of Norton Rose LLP or one of its affiliates with equivalent standing and qualifications.
- 3 This presentation contains information confidential to Norton Rose Group. Copyright in the materials is owned by Norton Rose Group and the materials should not be copied or disclosed to any other person without the express authorisation of Norton Rose.
- 4 This presentation is not intended to give legal advice and, accordingly, they should not be relied upon. They should not be regarded as a comprehensive statement of the law and practice in this area. Readers must take specific legal advice on any particular matter which concerns them. If you require any advice or information, please speak to your usual contact at Norton Rose Group.

 NORTON ROSE