

ROMANIAN PHOTOVOLTAIC INDUSTRY REPORT

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ROMANIAN PHOTOVOLTAIC INDUSTRY REPORT

➤ SOLAR ENERGY IN EUROPE

✓ INSTALLED CAPACITIES

In 2011, Europe had a total installed solar energy capacity of 52,079 megawatts, an increase of 22,143 megawatts (or 73.97%) on the previous year. Over the previous 5 years, the total installed solar energy capacity has increased by 46,767 megawatts or 57.86% on a 5 year compound growth basis.

The 52,079 megawatts of installed solar capacity represented 5.09% of total installed energy capacity (all conventional + all renewable energy sources), 14.56% of renewable energy capacity (including hydroelectricity) and 28.09% of non-hydro renewable energy capacity (excluding hydroelectricity).

Installed solar capacity has increased every year in the last 10 years and now ranks at #3 out of all renewable energy sectors. Hydroelectricity ranks at #1 for overall largest installed renewable capacity with 172,189 megawatts.

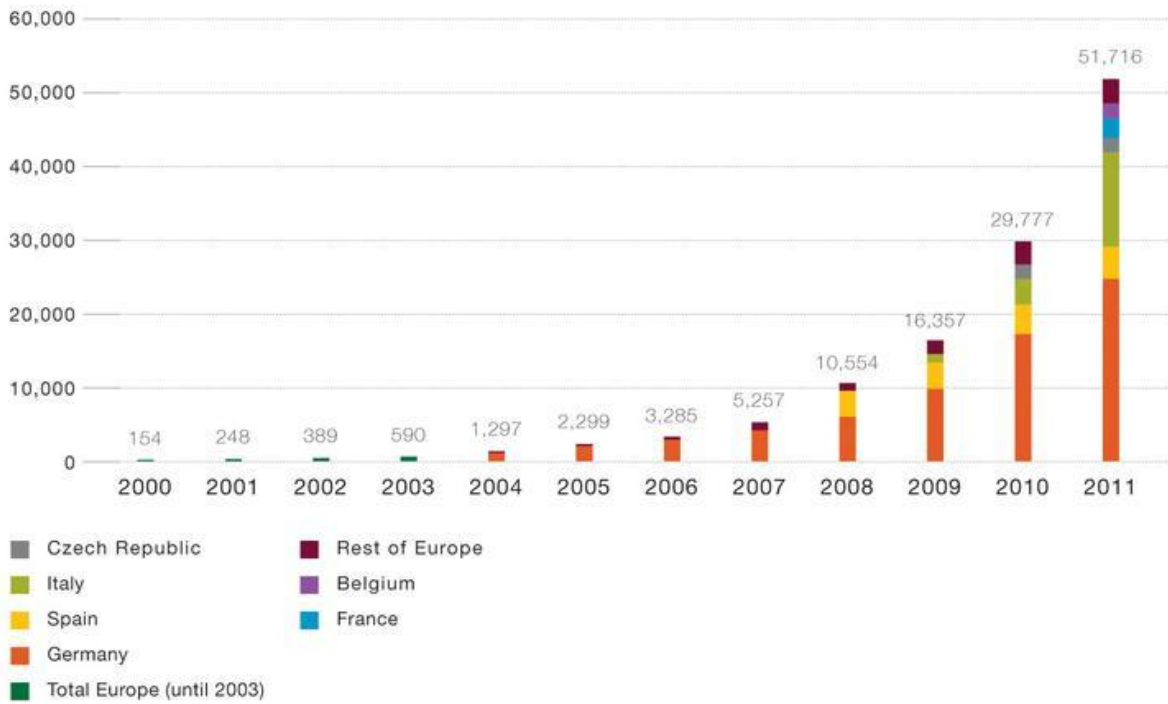
Over the previous 5 years, solar capacity in Europe has grown at a compound annual rate of 57.86%, faster than the total renewables sector which has seen a 5 year capacity CAGR of 7.12%.

As a result, solar as a proportion of total installed renewable energy has risen from a 2.1% share in 2007 to a current share of 14.56%. When looking just at new renewable capacity, solar energy accounted for 60.21% of the 36,779 megawatts added in 2011, the highest share in the last 5 years.

In terms of global cumulative installed capacity, Europe still leads the way with more than 51 GW installed as of 2011. This represents about 75 percent of the world's total PV cumulative capacity. The European photovoltaic market is dominated by three countries: Italy, Germany and France. Together they accounted for 85 percent of the European market in 2011.

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Evolution of European cumulative installed capacity 2000-2011 (MW)



source: EPIA

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➤ SOLAR ENERGY IN EUROPE

✓ SOLAR DEMAND VS. SUPPLY

	2010		2011	
	EU	World	EU	World
Newly connected PV systems (GW)	13.3	16.6	20.9	27.7
Year/year growth	n/a	n/a	57%	67%
Cumulative installed capacity (GW)	29.4	39.7	50.3	67.4
Year/year growth	n/a	n/a	71%	70%
% electricity demand	1.15%	0.25%	2.00%	0.50%

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➤ SOLAR ENERGY IN EUROPE

✓ CHINESE PRESENCE (MANUFACTURERS, INVESTORS) IN THE MARKET

BYD Europe B.V.

China Sunergy (Nanjing) Co., Ltd

CNPV Solar Power SA

EGing PV

ET Solar Group

Hanergy Holding Group

Hanwha Solar

JA Solar

JiangyinHareon Power Co. Ltd

JinkoSolar Co., Ltd

Renesola

Upsolar

Yingli

Trina Solar

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➤ CURRENT ROMANIAN SOLAR MARKET SITUATION

✓ INSTALLED PROJECTS

Romania is a new entry in renewable energy sector, with large scale projects (wind) starting to be commissioned since 2009/2010. The EU Directive 2009/28/CE from 23rd of April 2009, setting the mandatory quotas of renewable energy in the final consumption of each member state has been transposed into the Romanian legislation, through the Law 220/2008, subsequently amended by Law 139/2010 and Law 134/2012. In the meantime ANRE elaborated also the methodologies regarding functioning of green energy market.

Because of his placement, Romania is situated in the European B sunlight, which gives the country a major solar potential waiting to be tapped. With 210 sunny days a year, Romania is eligible for annual energy flow between 1000 and 1300 located kWh / sqm / year.

Radiation level in Romania is very good compared to other countries with temperate climate, and differences, depending on geographical area, are very small. Solar radiation in Romania reaches maximum values in June, 1.49 kWh / msq/day, lows were recorded in February, 0.34 kWh /msq/day, wrote Green Report.

Romania is divided into three main areas of sunlight: the red, about 1650 kWh / sqm / year, corresponding to Oltenia, Wallachia, Moldavia and southern Dobrogea, yellow zone, 1300-1450kWh / sqm / year, including Carpathian and Carpathian regions of Wallachia , all of Transylvania, the middle and northern Moldova, Banat, and the blue, 1150-1300 kWh / sqm / year, mountain regions.

Installed projects as of March 2012

Wind: 1.222 Micro Hydro: 409

Biogas: 2 Biomass: 34

Solar PV: 25 (as of Oct 2012)

Operational solar parks

Ariceni: 5.00 MW

Scornicesti: 4.00 MW

Chirileu: 3.63 MW

Crevedia: 2.00 MW

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Egnatia: 1.74 MW

Pufesti: 1.50 MW

TarguJiu: 1.25 MW

Singureni: 1.00 MW

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➤ CURRENT ROMANIAN SOLAR MARKET SITUATION

✓ PROJECTS UNDER CONSTRUCTION

The first two industrial scale solar power plants in the country by the end of 2011 were the Singureni Solar Park completed in December 2010, and the Scornicesti Photovoltaic Park, completed 27 December 2011. Each is 1 MW. Both power plants have been developed by Italian company Renovatio Group, which has bundle of another 50 MWp photovoltaic projects scheduled for construction.

Valvis Holding is aiming to realize 40 MWp photovoltaic project on Danube's Green Island, located on the Danube river near Calarasi south east of Romania. A biomass fired power plant with 35 MW capacities is also planned together with this photovoltaic power project.

Baruch Group is developing 20 MWp photovoltaic projects in Romania. The project is located in South West of Romania, Calarasi county, Comuna Vasilate, Nuci Village.

Martifer Solar recently opened its official office in Bucharest, after having signed an agreement for a large-scale photovoltaic installation in Romania, the company has announced, without giving details about the project. The industrial group has 3,000 employees worldwide, focusing on metallic structures and solar energy.

Belgian company Electrawinds plans to build 2 photovoltaic power plants in Romania in the near future. First one has capacity of 10 MWp, second one 3 MWp.

The Romanian ICCO group and US Company Lockheed Martin on 6th July 2012 launched Romania's first private Smart Grid project, in the ICCO Ghimbav Industrial Park in Brasov county, with an investment of \$15 million into the production of energy from renewable sources. The two companies want to install photovoltaic panels in an industrial park in the city of Brasov and create the country's "first smart grid" private project

Switzerland-based Hareon Alps Holding AG, a wholly-owned unit of Chinese Hareon Solar Technology Co Ltd, will apply for loans of up to EUR 48 million (USD 58.8m) from China Development Bank (CDB), business information website Sinocast.com said on 20th July 2012. Hareon Alps Holding AG will use the financing to build a 122-MW solar power plant in Romania for a total cost of EUR 1.98 billion.

Portuguese firm Martifer Solar finalized a 1.5 MW solar park in Vrancea county, in Romania on behalf of Denmark's investor Eurowind Energy. The project, completed at end July, was connected to the power grid this month. The value of the investment in the park was not yet disclosed. Earlier in May this year, Martifer announced the opening of its Romanian office after signing an agreement for a large-scale photovoltaic installation in Romania.

Romanian company Constructim launched on 10th of August 2012 a €2 mln. photovoltaic park in the western country of Timis. The solar park, located in Buzias, has 3,800 photovoltaic panels with combined installed

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capacity of 1 MWp.. The facility spans on an area of 1.9 ha. Power distributor Repower FurnizareEnergie Romania will supply electricity generated at the solar park to consumers. Constructim also intends to develop a 12.5 MWp wind park in the Romanian southwestern county of CarasSeverin.

Egnatia Romania has finalized the works and connected on the grid, the photovoltaic project of 1.7 MWp owned by Romanian private company "Casa de Investitii ALIANTA". The project – which is situated in Lechinta village, Bistrita-Nasaud County – was connected to the national electricity grid on August 17, 2012.

Romania is one of the major destinations for the Chinese investors in Central and Eastern Europe, as the Chinese companies want to enter the Romanian market, invest and perform economic activities in our country, in the traditional industries and fields such as winemaking, bee-keeping, metallurgy, chemistry, solar and wind energy, wood processing and software industry.

Chinese photovoltaic modules producer Renesola entered the Romanian market by acquiring Romanian company Lucas Est, which runs a photovoltaic park in the country. The value of the recent deal was not announced. Lucas Est runs the Dumbrava 6 MWp photovoltaic park in Prahova county, on some 14 hectares of land. The project is at an advanced stage of development and most likely the photovoltaic plant will start producing energy and be connected to the national grid by the end of the year.

EDP Renováveis (EDPR) announced that it has started constructing its 39 MWp PV project in Romania. Working with its local partner, the Renovatio Group, EDP Renováveis expects for construction to be completed by Q1 2013. EDPR's project is located in the southern part of the country, where the irradiance is supposedly highest in Romania.

China's ET Solar has won a contract to develop three photovoltaic plants totaling 50 MW in Romania as part of the surge into less developed Eastern European markets. The plants will be developed in the southern Romanian counties of Gorj, Giurgiu and Dolj in a contract with privately-owned energy company Tinmar_Ind S.A62. Work has already started on the first 20 MW with construction set to be complete by the end of 2012 and grid connection in the first quarter of 2013. Construction of the remaining 30 MW is expected to start before the end of 2012.

Gehrlicher Solar AG63 is completing the initial phase of constructing a ground-mounted system for Ra RaParc SRL, the investor and operator in Isaccea, eastern Romania. The system generating 8.75 MWp of total power was expected to be completed and connected to the grid by November 15.

Photovoltaic power capacity will probably exhibit further increase in the near future with the addition of planned and expected projects. We expect market drivers by the end of 2013 to be large scale projects above 1 MWp capacity, including rooftop and industrial installations. In Q4 2012 first ground based photovoltaic power plants above 5 MWp are expected to start operation.

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➤ CURRENT ROMANIAN SOLAR MARKET SITUATION

✓ DEMAND VS. SUPPLY

- Electricity produced – 60.39 TWh;
- Electricity delivered – 55.64 TWh;
- Import of electricity – 1.04 TWh;
- Export of electricity – 2.94 TWh;
- Internal consumption – 53.74 TWh;
- Non-households consumers in competitive regime – 25.52 TWh.

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➤ ROMANIA'S REGULATORY AND POLITICAL ENVIRONMENT:

✓ CURRENT REGULATORY SITUATION (RENEWABLE ENERGY LAWS AND REGULATIONS)

- Law No. 220/2008 regarding the establishment of a system to promote electricity generation from renewable energy sources as amended and supplemented by Law No. 139/2010 and thereafter by Law 134/2012
- Order No. 42/2011 regarding the approval of the Regulation for the accreditation of producers of RES-Electricity for the application of the GCs promotion scheme.
- Order No. 43/2011 regarding the approval of the Regulation for issuance of GCs.
- Order No. 45/2011 regarding the approval of the Methodology for the establishment of the annual acquisition quota of GCs.
- Government Decision No. 1232/2011 regarding the approval of the Regulation for the issuance and origin certification of electricity produced from renewable energy sources.
- Government Decision No. 540/2004 regarding the approval of the Regulation for obtaining the licenses and authorizations in the electricity field.
- Government Decision No. 90/2008 regarding the approval of the Regulation for the connection of users to electricity grids of public interest.
- Government Decision No. 1069/2007 regarding the approval of the "National Energy Strategy 2007-2020"
- Energy and Gas Law No. 123/2012 sets forth the general legal framework for carrying out the production of electricity together with thermal energy produced in cogeneration.
- Order No. 25/2004 for the approval of the Commercial Code for the Wholesale Electricity Market

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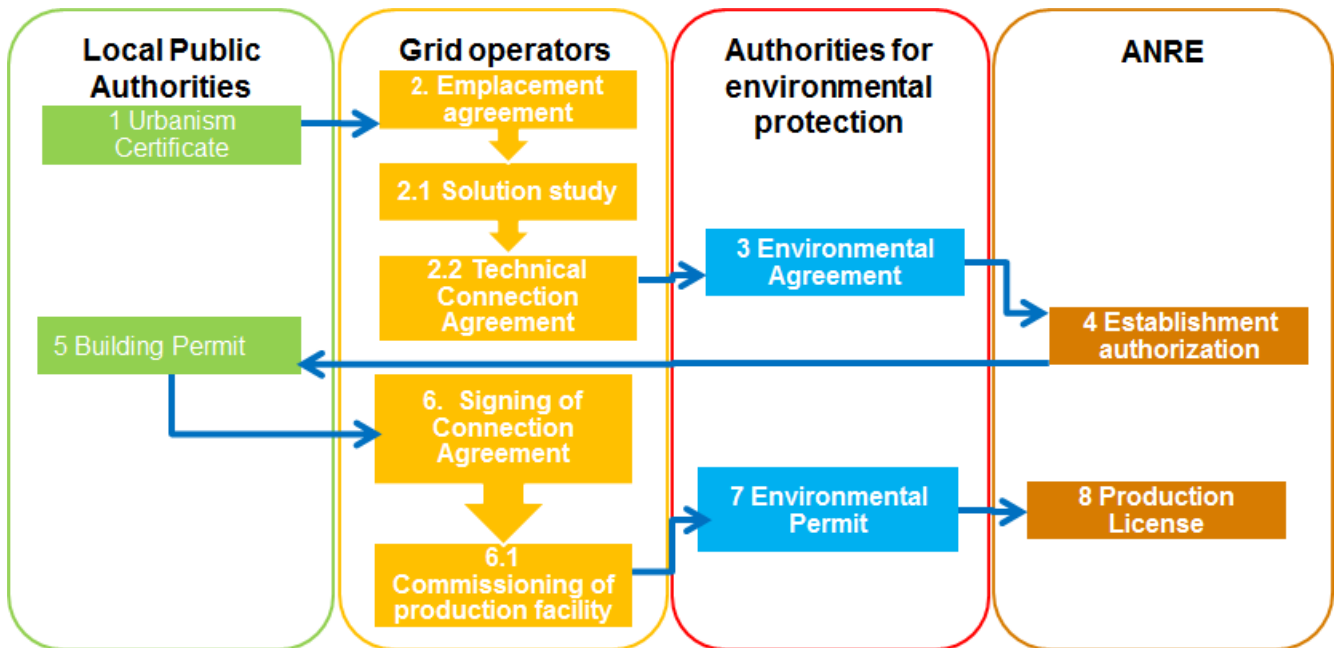
➤ ROMANIA'S REGULATORY AND POLITICAL ENVIRONMENT:

✓ - EXPECTED CHANGES IN 2013.

- Major legislative changes are not expected in the near future;
- RES-E quota is unlikely to be reached in case financing of new projects will not be secured;
- According to the new Energy Law no. 123/2012, the regulated prices of electricity for end clients will be gradually eliminated until 2017.
- According to Law 220/2008 as amended by Law 134/2012:
- Energy suppliers will have to meet their GC quota each quarter;
- A warranty fund will be created to acquire GC pro-rata from producers that request such, for at least the minimum GC legal price;
- Simplified procedures for facilities with installed power under 10MW.

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➤ AUTHORIZATIONS CONDITIONS AND REQUIREMENTS FOR PV PROJECTS: A PRESENTATION OF THE ENTIRE PERMIT AND LICENSING PROCESS FOR PV PROJECTS IN ROMANIA.



- **Pre-construction**
- **Securing the land:** through a sale-purchase agreement, a superficies agreement or a concession agreement from an individual owner of local authorities.
- **Urbanism Certificate:** the Urbanism Certificate is issued by the County Council where the land is located; it characterizes the legal, economic and technical regime of a project established through existing records and documentation of town and country planning; such characteristics include, among others, the percentage of land that can be occupied by building and limit withdrawals to property (and other info); the Urbanism Certificate also lists the permits and agreements necessary to authorize the execution of works construction; typical Validity 12 months (with the possibility of extending for another 12 months).
- **Location Permit:** the Location Permit is based on the Urbanism Certificate; is a necessary step in order to obtain the Building Authorization; It represents the response to the request of an applicant, stating the point of view regarding the proposed location, and if the project can coexist according to the electric network operator's objectives; The Location Permit can be obtained from the Distribution Network Operators (DSO).
- **Grid Connection Permit (ATR):** the ATR represents the approval for the applicant's grid connection request; Information regarding the connection to the electrical grid, capacity, the way of measuring electricity and the tariff to be paid for the connection installation to be in place; The DSO is obliged to issue

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the Grid Connection Permit within 30 days from the submission of the necessary documents by the applicant; (not always!); The validity of the Grid connection Permit is 3 months (with possibility of extension for another 3 for connections in MV) and 6+6 months for HV

- **Environmental Permit:**document establishing environmental conditions to be respected during implementation of a new solar PV project. This document is based on the Technical Documentation for environmental impact. Not too many requirements for solar PV parks compared to wind power. Usually no Environmental Impact Assessment is required. It is expected that the EIA will become more and more important as the Authorities get to understand the sector.
- **Removal of land** from agricultural use made in different schemes: Only the holes of the mounting structures; only the projection of the panels on the ground.
- **Zonal Planning (PUZ):** Elaborated in order to change the destination of the land (from agricultural use to construction); Roads and functional zoning; Architectural integrating with the existing urban structure with different indices: Environmental protection measurements; Respecting the regulations from the PUG (General Urbanism Plan); The Methodology of elaborating the PUZ getting more complex and lengthier.
- **Establishment Authorization:** the Establishment Authorization (or Set-Up Permit) is issued at the request of an entity and grants the permission to build the electricity generating facility with a capacity of over 1 MW; it can also refer to electricity transport and distribution; the Establishment Authorization can be issued by ANRE (National Authority for Electricity Regulation); the Investor has to make proof of the financing capacity at this stage.
- **Building Authorization:** the Building Authorization is the document that allows its holder to initiate construction works; after the Building Authorization is obtained, the owner has to announce the City Hall with minimum 10 days before the construction can start being built; the Building Authorization can be issued by the County Council where the project will be located.
- **Grid Connection Contract:**the Grid Connection Contract represents the agreement between the electricity producer and the DSO for executing the system for grid connection as set by the Grid Connection Permit (ATR);•it represents a very important step in obtaining the ready-to-build phase for solar PV projects; After the issuance of the contract, the connection to the grid is completed by the national electricity distribution company; The Connection Contract can be obtained from DSO (Distribution Network Operators).
- **After the completion of construction**
- **Environmental Authorization:** document establishing environmental conditions to be respected during implementation of a new solar PV project; This document is based on the Technical Documentation for environmental impact and the Environmental Permit; The Environmental Authorization can be obtained from the Environmental Protection Authorities.

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- **Electricity Generation License:** the Electricity Generation License grants the holder the permission for commercial exploitation of the electricity generation capacity; Therefore the holder can sell the electricity on the free market for which he will obtain a market price; Also, for each MW produced and delivered into the electrical grid, the producer receives Green Certificates accordingly; The Electricity Generation License can be obtained from ANRE (National Authority for Electricity Regulation).
- **Priority Production License:** the Priority Production License grants the holder the opportunity of priority production and access to the wholesale market; Therefore the holder can sell the electricity on the free market for which he will obtain a market price or on the Day Ahead Market (PZU), on which he also has priority access; This license is useful in areas where the grid is overly saturated and it allows renewable energy producers priority access to the market compared to conventional energy producers; The Priority Production License can be obtained from ANRE (National Authority for Electricity Regulation).

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➤ THE GC MARKET:

✓ CURRENT PRICING.

Green certificates are granted to electricity producers for each MWh generated from wind, hydro, biomass, landfill gas, sewage plant treatment gas or solar. If the energy is produced in high efficiency co-generation plants, a bonus is applied. The certificates issued by the State to the producers can be sold to the energy suppliers on a specific market (independent of the electricity market).

The electricity suppliers have the obligation to acquire annually a certain number of green certificates. If they fail to do so they must pay a penalty. The penalties are collected by the transmission system operator and transferred to the Romanian Environmental Fund, which will use them for support to small individual producers of electricity from renewable sources.

A green certificate value is between 27 and 55 euros. In autumn, 2011, the Government approved the increase subsidies for green energy producers. They will receive for 10 years, 10,5 billion Euro from the Romanian consumers, which is one of the most generous UE support scheme.

Producers of electricity from renewable sources will receive in 2012 more than 5.5 million green certificates, estimates the National Regulatory Authority for Energy. In total is more than 300 million euros.

Producers will receive green certificates and they will sell on a green market to gain more than the actual price of energy.

Suppliers are required to purchase a number of green certificates in proportion to the quantity of energy delivered, so the final price of energy will increase.

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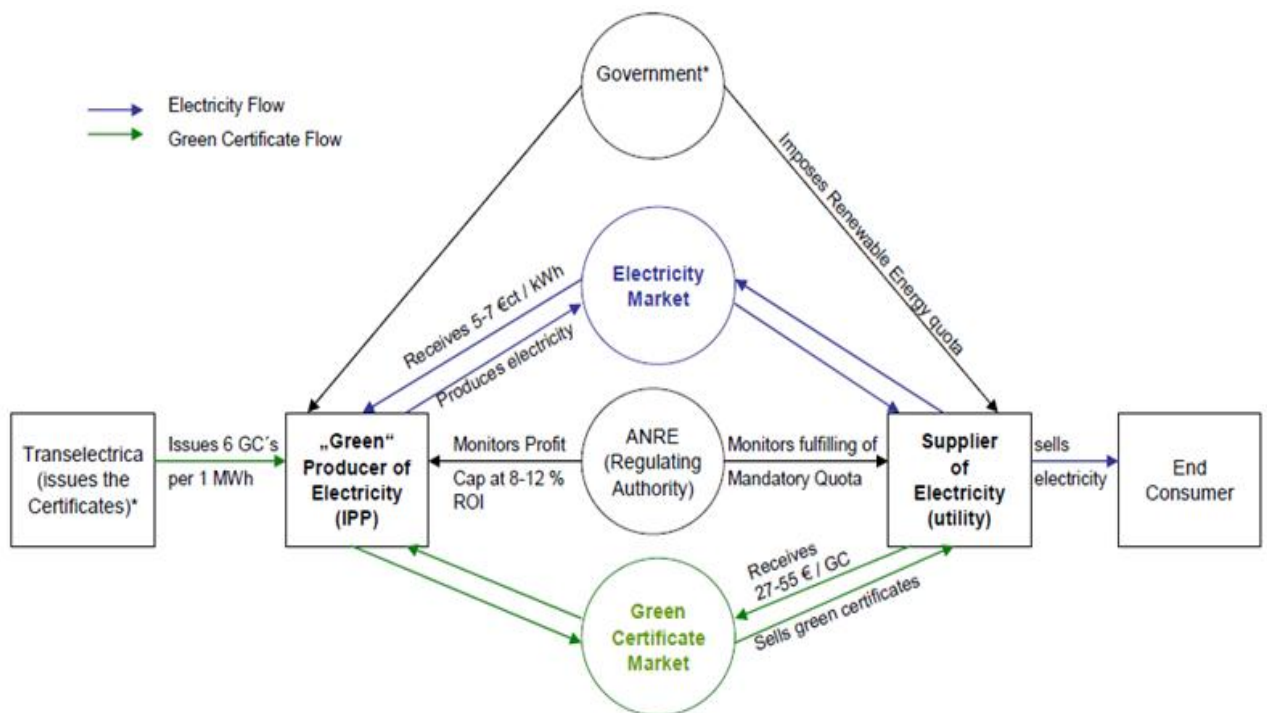
➤ THE GC MARKET:

✓ GENERAL TRADING TERMS ON OPCOM.

GS's are trade on the GC market, where the utilities are forced by law to buy a quota of GC at least quarterly.

The revenue from GC is $6 \times (27 \text{ to } 55) = 162 \text{ to } 330 \text{ Euro /MWh}$.

Also you can conclude an GCPA with a trader for a price between 27 and 55 Euro/GC.



➤ BUSINESS CHALLENGES

✓ LAND OWNERSHIP ISSUES

CONVEYANCE OF OWNERSHIP ON PROPERTY

General Comments

Acquisition of land in Romania is typically made by way of a deed that substantiates the conveyance of ownership (the most widely used in practice being the sale-purchase agreement). The acquisition deed is required to set forth a minimum of terms that define the acquisition, such as details for the acquisition of the parties (i.e. names, personal identification code (Romanian: CNP), the fiscal registration code etc.), a proper definition of the subject-matter of the deed (i.e. details for the identification of the property, such as the registration number with the Land Registry, the cadastral number (Cad.), the area of the property etc.) and the purchase price.

The sale-purchase agreements, as well as the deeds related with the conveyance or creation of any other in rem rights (e.g. superficies, easements rights etc.) are required to be concluded before a Notary Public, in notarized form (for purposes of validity), and to be registered with the competent Land Registry, as detailed below.

The conclusion of a conveyance deed in breach of applicable law would expose the deed to nullity. Depending on the actual circumstances, the nullity may be relative (i.e. governed by a private policy regime and, therefore, typically subject to a statute of limitation and able to be remedied by the parties) or absolute (i.e. governed by a public policy regime, without being subject to a statute of limitation and as a rule unable to be remedied by the parties).

Title Chain

Although the Romanian Civil Code sets forth that the evidence of the ownership on property should be made by way of an extract issued by the Land Registry, in practice, investors typically review the validity of the entire chain of titles back to the initial owner. This approach is pursued as, under certain circumstances, the cancellation of a previous title may lead to the cancellation of certain or all of the subsequent titles (including the investor's title). In the light of the above, a comprehensive title research must be based on the thorough review of the entire chain of title going back from the current title to, ideally, the initial one.

If documents required for the evidence of the title chain are unavailable to the owner, an investor should ultimately consider relying on the legal assessment made by the notary public that notarized the previous deeds and that is held liable, under the Romanian law, to scrutinize the validity of the conveyance terms (e.g. that the sellers are actual owners of the property, the authorized representatives of the parties hold valid powers of attorney etc.).

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However, such reliance would not protect the investor against potential future inconveniences (such as property loss or prospective disputes with authorities or individuals claiming ownership rights over its property or portions thereof) and, in order to minimize such risks, a thorough review of the previous title transfers would be highly recommendable.

Representation

Romanian law requires explicitly that the contracts on real estate be entered into either by the acquirer itself or by way of a proxy on the basis of a notarized power of attorney drafted by providing detailed information on said contract (i.e. a "special" power of attorney). Such special power of attorney must contain a detailed description of the characteristics of each plot subject to such contract and the location thereof.

The absence of such special powers of attorney or any defects thereof may negatively impact the validity of the transfer deeds, which may be rendered null and void, however, with the possibility of the grantor to ratify the deed concluded, based on such a mandate, thus removing the annulment cause.

Although the existence of special powers of attorney should be verified by the notaries public who authenticated the agreements, in order to mitigate the risks related thereto, it is recommendable that all powers of attorney issued for the execution of the contracts on properties be obtained by the investor for a detailed review. In case a power of attorney does not contain all required details, the issuer thereof (either seller, or purchaser) should ratify the agreement executed based on such power of attorney.

In case of companies, the representation thereof is made, as a general rule, by each of its directors. The articles of association of respective company may stipulate joint signature, case where the signature of two (or more) directors is necessary. The director of a company may appoint a third party to represent the company for the signing of an agreement only if the articles of association or a resolution of the general shareholders' meeting of respective company provides the possibility of the director to delegate its representation powers. Otherwise, it is recommendable that the company ratifies the contracts signed by proxies appointed by the company's director.

Purchase Price Payment

Generally, the price stipulated in a sale-purchase agreement is paid either in advance, based on a sale purchase pre-agreement, or upon the notarization of respective agreement.

However, the parties may decide to postpone the payment of the price to a certain date. In such case, if the purchase price for a property is not paid, the seller of respective property may request in court either the obligation of the purchaser to pay the price, or the rescission of the sale-purchase agreement executed with respect to that property.

Thus, for the situations when the payment of a transaction's price was postponed, the investor should obtain the proof that such payment was duly performed and there is no risk that respective contract be annulled by a court decision, on the ground mentioned herein.

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Land Registry Formalities

The sale-purchase agreements, as well as the deeds related with the conveyance or creation of any other in rem rights (e.g. superficies, easements rights etc.) are required to be registered with the relevant Land Registries. Before 1 October 2011, the registration with the Land Registry was performed only for ensuring the enforceability towards third parties.

According to the Romanian Civil Code put into effect as of 1 October 2011 and the other enactments issued for purposes of ensuring a proper enforcement of such code, the registration with the Land Registry will acquire a constitutive effect (and will thus be viewed as a requirement for the validity of the deed and not for the enforceability to third parties) after the cadastral survey and measurements are completed at the level of an administrative unit. Where such works have not been finalized for the entire area, the registration with the Land Registry shall be made only for opposability purposes, the transfer of the ownership right being achieved at the moment when the transfer deed has been validly entered into by the parties.

Irrespective of the effect of the registration with the Land Registry, it is recommendable that, during a due diligence process, recent Land Registry excerpts with respect to the land plots subject to such review be analysed. Only in this manner it may be assessed whether there any encumbrances, third party interests or litigation registered with the Land Registries that may affect the development of the envisaged project or the rights over the concerned plots of land.

LEGAL REGIME ON RESTITUTION

Generalities

The legal regime of real property in Romania has been for a long period plagued with incertitude and inconsistencies. Following the collapse of the communist regime in 1989, many of the former owners attempted to regain their properties. Under these circumstances, several laws – the Restitution Laws (as define above) have been put into effect for the restitution of such nationalized or confiscated properties to their former owners or to the heirs, as the case may be.

The first law enacted after the communist regime, the Land Law, provided for two (2) main restitution procedures for the agricultural lands:

- (a) re-settlement (Romanian “reconstituire”) of the ownership to the entitled persons that had previously contributed land to the former agricultural co-operations; and
- (b) Settlement (Romanian “constituire”) of the ownership in favour of the persons who did not contribute land, but to whom the law acknowledged such entitlement as means of indemnification (for instance, as compensation for the work performed for the co-operations).

According to the above procedures, the re-settlement or settlement of the ownership right over a property is acknowledged and attested through the issuance of an ownership title. For the issuance thereof, the

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special restitution commissions established according to the provisions of the Restitutions Laws had the legal obligation (i) to analyse the requests for land restitution and verify the lineage of the persons submitting these requests with the person they indicate as author and initial owner of the requested land, or (ii) to assess if the conditions required by the settlement procedure are complied with, as the case may be.

Based on such scrutiny, the ownership titles issued according to the Restitution Laws enjoy an assumption of validity, unless successfully challenged by an interested party and cancelled by a final and binding court decision.

Subsequently, in 2001, Law no. 10/2001 was enacted and since has been viewed as the most complex restitution law for constructions and intra-muros lands, as detailed below.

Re-settlement Procedure

Restitution to the initial owners or to their heirs

According to the Restitution Laws, the properties taken over from the former owners should be returned to them or, in case the former owners no longer live as at the date of the restitution, the properties should be returned to their heirs.

In case the ownership titles have been issued to the benefit of a person with no family connections with the former owner or one of the heirs thereof (although the latter have filed the requisite application to this effect but have been omitted from the restitution of the claimed property) the ownership title issued under such circumstances, to the benefit of the person with no family connections with the former owner or one of the heirs thereof, could be annulled.

Typically, developers do not hold documents evidencing the entitlement of the initial owners to ownership re-settlement. Copies of the files maintained by the relevant public authorities (e.g. Local Councils, the special restitution commissions established according to the provisions of the Restitutions Laws etc.) on re-settlement procedures may be requested. However, in our past experience, the submission of such copies by the authorities was not made in a timely fashion but was rather time-consuming.

Nevertheless, it is to be noted that, as mentioned above, for the issuance of the ownership titles, the special restitution commissions established according to the provisions of the Restitutions Laws had the legal obligation to analyse the requests for land restitution and verify the lineage of the persons submitting these requests with the person they indicate as author and initial owner of the requested land. Thus, under such circumstances, the ownership titles enjoy an assumption of validity.

Restitution on the initial location

Further on, it should also be noted that the re-settlement should in principle, under the sanction of nullity, be made on the precise location where the land that they had previously owned was located. Although such principle has been viewed as a recommendation, rather than a strict requirement, in the meaning of

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the original version of the Land Law, it has been set forth explicitly under Law no. 1/2000, which amended the Land Law.

In this respect, in relation to the ownership titles issued after 2000, it is advisable that the owner thereof obtains official letters confirming that the restitution was made on the previous precise location.

Approval of the spouse

In the event the land acquired by way of ownership re-settlement procedure belonged to the joint matrimonial patrimony before its nationalization during the communist regime, the same matrimonial regime should have governed the restitution process. Consequently, the subsequent sale-purchase agreements concluded with respect to such plots should have been executed by both spouses, even if the ownership title had been issued in the name of only one spouse. Otherwise, such agreements may be rendered null. Any claim for nullity of the transfer deeds on this ground is subject to a 3-year statute of limitation.

In the light of the above, further investigations with the special restitution commissions established according to the provisions of the Restitutions Laws may be conducted but, typically, the responses are not provided in a timely fashion. If the plots assigned to the envisaged project belonged to the joint matrimonial patrimony as of the signing of sale-purchase agreements referred herein, the developer may cause the initial owners' spouses to issue notarized statements for the approval the sale of such plots.

Settlement Procedure

Interdiction to transfer ownership

- In order to ensure that the land awarded by settlement procedure is used for the purposes envisaged by the law (i.e. agricultural exploitation) and to prevent any trading speculations by the beneficiaries of the procedure, the Land Law prohibited the conveyance of the ownership for a ten (10) –year term that starts to run as of the beginning of the year that followed the year in which the ownership rights over such plots were registered.

The meaning and nature of the records with which the registration mentioned above should be made are however contentious in practice. Theorists of law and practitioners argued that the interdiction should be calculated by considering the registration of the title: (i) with the records kept by the restitution commissions; (ii) with the agricultural records; (iii) with the fiscal records; (iv) with the competent court; or (v) with the Land Registry or the former registries of inscriptions and transcriptions (if the case).

According to the National Union of Notaries Public from Romania (Romanian: "Uniunea Nationala a Notarilor Publici din Romania"), the notaries public should consider and verify only the agricultural records, when authenticating a sale-purchase agreement for a plot of land awarded by way of settlement procedure. The majority of the legal scholars are seemingly supporting such interpretation. On the other hand, the courts' practice is not uniform, since there are also decisions annulling the deeds executed in breach of the interdiction which is computed as of the registration of the land with the Land Registry.

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The infringement of the transfer interdiction would trigger the annulment of the ownership transfer and such annulment would be governed by the public policy regime (i.e. cannot be cured and is not subject to any statute of limitation). Any party that would pursue the annulment of a transfer deed concluded with the breach of the ten (10) years interdiction is required to provide evidence that its rights or interests have been adversely affected by the infringement of the transfer interdiction (and, thus, prove an interest to file an annulment claim). According to Romanian legislation and case law, only a practical, personal and direct benefit should qualify as an "interest" and, therefore, entitle such third party to successfully file a claim.

However, in order to mitigate the risks on this issue, the owner of a land plot acquired by way of settlement procedure should make several inquiries in order to identify the date such plot has been first registered with both the Land Registry and the agricultural records.

Approval of the spouse

Mention should be made that, if the beneficiary of the ownership settlement procedure was married as at the date of the settlement, the plots of land thus acquired became part of the joint matrimonial patrimony (even if the ownership title mentions only one of them), and therefore any subsequent transfer documents should have been concluded by the beneficiary of the ownership title and his/her spouse, subject to being rendered null and void. The annulment in such a case would be governed by a private policy regime and would therefore be subject to a 3-year statute of limitation.

In this respect, in order to mitigate the above risk, documents attesting the marital status of the initial owners of the land plots should be obtained and provided during a due diligence process. Moreover, in the event that any of the plots of land assigned to the envisaged project belonged to the joint matrimonial patrimony as of the signing of the sale-purchase agreements, the seller of such project should cause the initial owners' spouses to issue notarized statements for the approval of the sale of such plots of land.

Restitution according to Law no. 10/2001

Law no. 10/2001 states that the former owners illegally deprived of their properties by the communist regime are entitled to request the restitution of such properties either in kind, or in equivalent compensation. To this effect, the former owners were requested to file notifications for restitution to the State-owned companies, central or local authorities or other public law entities, which held the respective properties, within a certain deadline (initially twelve (12) months from the entry into force of the Law no. 10/2001, subsequently extended several times until 30 November 2005).

The State-owned companies or the other authorities were bound to examine the grounds for the restitution claim and, depending on such assessment, to decide the restitution in kind of the claimed property or the reject of such request. The refusal may be subsequently challenged by the former owner before the competent courts of law. The former owners who cannot be awarded in kind with their former real properties (falling under exceptions of the law) were entitled to monetary compensations.

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Since the final deadline for filing such restitution claims was 30 November 2005, currently, in principle, any claim filed after the deadline should be dismissed as time-barred and only pending restitution claims or court litigations may continue to be heard until a settlement or a final solution is ruled. The evidence of the restitution claims is kept by the local city halls of the localities where the real properties are located. In this respect, it is highly recommendable that the investors request to the local authorities, official letters confirming that there are no notifications or pending litigations in relation to the Properties acquired based on the provisions of Law no. 10/2001.

DEEDS REQUIRING THE ISSUANCE OF A PLANNING CERTIFICATE

Under the Romanian law, a planning certificate is mandatory, inter alia, when:

- (a) the subdivision or merger of a property is performed for construction purposes,
- (b) a deed is executed for creating a way leave; and
- (c) the execution of a concession agreement.

Breach of the above requirements may trigger the absolute nullity of the deeds. The absolute nullity has no statute of limitation and may be invoked by any third party who proves an interest in connection with that deed.

We noticed in our past experience that such requirement of obtaining planning certificates was often breached. However, we are not aware of any cases where the deeds concluded in such circumstances have been annulled on this ground.

In addition, the deeds referred herein can only be declared null by means of a court decision. Therefore, in order for third parties to successfully challenge a subdivision/merger deed or an easement/concession agreement, respective parties have to be able to prove that the lack of the planning certificate adversely affected their rights.

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➤ BUSINESS CHALLENGES

✓ GRID CAPACITY AND CONNECTION

MW	Connection Permits *		Establishment Permits	Producer Licenses
	Total	Of which, CC		
Wind	7,831.39	14,602.7	1.616.51	1,084.58
Hydro	573.15	235.41	99.91	451.08
Biomass	66.23	57.81	50	25.42
Solar	1.732	521	108.68	21.14

➤ BUSINESS CHALLENGES

✓ SECURING PPA'S FOR FINANCING

- According to Law 123/2012 privately negotiated PPA's outside of the centralized market administrated by OPCOM is no longer possible
- The electricity trading may be done only on the centralized market administered by OPCOM
- Long term agreements for electricity trading may be also concluded on OPCOM platforms

One of the most important challenges facing PV projects is obtaining financing. Banks, leasing companies and other types of financiers have specific requests for those interested in investing in PV projects.

The main challenge for PV projects is that their success depends heavily on the support scheme. In consequence, it depends on any potential changes in the legal framework for renewable energy. Due to the consistent number of GCs allocated, any modification of this number or any possibility that a photovoltaic manufacturer will remain with a number of unsold green certificates is an important risk factor for the project

One of the main requirements of the banks is previous experience in PV production from the investor. Another is the investor's own contribution, to ensure the sale of electricity and green certificates at a minimum price through the so-called power purchase agreement (PPA), and the existence of an agreed provider of photovoltaic panels. The investor's contribution cannot be less than 30 per cent of the total investment.

Factors that can increase the bankability of the projects:

- Solid financial standing of the sponsor and the capacity to bring upfront 30% to 40 % of equity
- Clean property title over the project land
- Availability of a clean legal DD over project documentation
- Bankable EPC contractor and O&M provider providing warranties over the project and respective performance for at least the period of the loan
- Medium/long term CPA and PPA with a reputable off-taker, securing the stream of revenues of the project
- Projects above 5MW, will find additional difficulties to raise financing in Romania, considering that within the banks that are open to support PV projects, only a few will have the capability to finance larger scales (international financing is an option to be considered if available).

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The main milestones, duration and stakeholders of a PV solar project are presented in the figure below:



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➤ EQUIPMENT SUPPLY AND EPC

✓ European Union

The European Commission has officially launched a countervailing duty investigation into imports of solar panels from China into the European Union.

The move follows the lodging of a complaint in September by industry association EU ProSun, led by Solar World, that subsidised Chinese imports were harming the European solar industry.

The investigation is expected to take 13 months in total. According to trade defence rules it is possible to impose provisional anti-subsidy duties within nine months provided there is sufficient preliminary evidence of subsidisation. A provisional deadline of 5 August 2013 has been set.

As part of its proceedings, the Commission will now send out questionnaires to various interested parties (e.g. government of China, exporting producers, Union producers, importers and associations).

The investigation must conclusively show that:

- there is government subsidisation which benefits the exporting producers in the country/countries concerned
- material injury has been suffered by the Union industry concerned
- there is a causal link between the subsidisation and the injury found
- the imposition of measures is not against the Union interest.

The EU has so far initiated four anti-subsidy proceedings against China and currently has measures in force against one product (coated fine paper). In comparison, the US, which is traditionally a more prolific user of anti-subsidy investigations, has imposed 24 anti-subsidy measures against China.

With the EU accounting for 70 percent of China's PV export market, if high tariff are imposed after the EU commission's investigation it would become a critical issue for China's PV industry. A large number of Chinese PV companies will face the risk of bankruptcy, while the whole industry, as well as economy and the society will be seriously affected.

China is the world's biggest maker of solar panels, a \$37 billion global market. Relevant data shows that China has imported PV related materials and equipment worth \$7.5 billion, and there are 280 thousand to 300 thousand jobs in the PV or related industries in the EU. New energy was regarded as the core propeller in the third industry revolution.

China has been in the onrush of opportunities in new energy industries including wind power industry and PV industry. U.S. and EU have successively launch investigations on China's two industries.

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✓ Romania

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➤ FOR CHINESE INVESTORS:

✓ KEY FACTORS FOR SUCCESSFUL PV PROJECT IN ROMANIA

- Understanding the market;
- Through legal and technical due diligence;
- Use of proper materials;
- Good EPC team.

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➤ FOR CHINESE INVESTORS

✓ - PIPELINE OF PROJECTS

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➤ GLOSSARY OF TERMS

- **Green certificate** – document proving that 1 MWh of electricity is produced from renewable energy sources and supplied into the electricity network.
- **Electricity market operator** – legal entity ensuring the trade for the electricity quantities on the electricity market, which determines the prices on the Day Ahead Market. The electricity market operator is OPCOM SA
- **Green certificates market operator** – legal entity ensuring the trade of green certificates which also determines the prices on the centralized market of the green certificates. The operator of the green certificates market is OPCOM SA
- **Transmission and system operator**– legal entity, possessing a transmission and ancillary services license. The TSO is CN TRANSELECTRICA SA
- **Centralized market of green certificates** – legal framework for trading the GC between market participants, organized and administrated by OPCOM SA
- **Bilateral market of green certificates** – the bilateral contracts negotiated between E-RES producers and electricity suppliers, designed for selling/buying of the GC
- **Day Ahead Market** – centralized market for selling and buying electricity which is administrated by OPCOM SA
- **Priority production** – the electricity qualified production of a producer/generation configuration, for which preferential sale rights are granted

Note: The source is being quoted from Romanian Photovoltaic Industry Association. If anything further is needed, please contact:

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