

## RENEWABLE ENERGY

### Government Incentives

In an effort to foster the development of renewable energy as mainstream energy source, many governments have introduced broad-based incentive programs encouraging investment and supporting technologies to achieve critical mass required to achieve so called grid parity with traditional energy sources. Markets with extensive renewable energy programs include Germany, Italy and Spain. Many developing markets including India, China and those in the MENA region are expected to begin introducing similar policies.

Government frameworks to increase the mainstream use of alternative energy include following:

- **Subsidized feed-in tariffs** whereby electricity distributors and suppliers are obligated to buy electricity at a premium to traditional energy sources and guarantee these tariffs for a certain time period
- **Market-based mechanism including quotas or green certificates** whereby a target supply of renewable energy is achieved by obliging generators to deliver consumers a portion of their power from alternative energy sources
- **Tax incentives or other subsidies** where renewable energy is fiscally incentivized in order to reduce the cost gap between other conventional power sources

To date the most successful mechanisms have been feed-in tariffs as these provide the most attractive framework to deliver long term certainty for investors.

