



## Subsidy for Green Vehicle Consumption by Individuals in China

On 31 May 2010, the PRC Ministries of Finance, Technology, Industry and Information Technology and the State Development and Reform Committee jointly issued a policy of subsidies for purchasers of new energy vehicles (the “**New Energy Vehicle Policy**”). Designed to promote the sale of hybrid and purely electric vehicles by individuals in China, the central government will coordinate with local city governments to encourage green vehicle purchases to support strategic advanced industry and technology, improve energy efficiency and reduce pollution.

A similar state policy was issued in 2009 to promote the sale and use of green vehicles by public service providers in China, such as municipal bus operators, the post office, environmental departments and taxi operators. The New Energy Vehicle Policy is a further effort to push green technology innovation and energy efficiency by encouraging the purchase of green vehicles by individuals.

The New Energy Vehicle Policy sets forth the requirements for those cities permitted to implement the subsidy as well as standards and requirements for vehicle manufacturers that will benefit from this policy. The following table is a summary of the New Energy Vehicle Policy.

<b>Subsidy Methods</b>	The central government and city government will directly subsidize green vehicle manufacturers based on sales volumes of green vehicles.
<b>Requirements for automobile manufacturers to apply for green vehicle subsidy</b>	<ol style="list-style-type: none"><li>1. New green vehicle products made by automobile manufacturers are listed in the “Category of Vehicle Types Recommended for Energy-saving and New Energy Vehicles” (the “<b>Green Vehicle Catalog</b>”).</li><li>2. The battery pack power of pure electric vehicles (“<b>EV</b>”) must not be less than 15 kilowatts per hour and the battery pack power of plug-in hybrid electric vehicles (“<b>PHEV</b>”) must not be less than 10 kilowatts per hour (the cruising distance in EV mode must not be less than 50km if powered solely by electricity). Batteries exclude the use of lead acid batteries.</li></ol>

	<ol style="list-style-type: none"> <li>3. Manufacturers of automobiles, or key auto parts such as batteries, must have the required production capacity and after-sales service systems. As to key auto parts, such as batteries, manufacturers should provide a minimum warranty of at least 5 years or 100,000km (whichever is earlier) and promise to recycle sold automobiles or key auto parts at a certain depreciation rate.</li> <li>4. Automobile manufacturers that sell new energy vehicles should provide a consumer guarantee as to product performance parameters confirmed via test methods stipulated in relevant national standards. Such performance parameters include: maximum speed within 30 minutes in EV mode; maximum speed of a PHEV; acceleration from 0 - 50kph; maximum grade ability; power consumption driving a distance of 100km (while loaded); driving range (while loaded); motor type and power; battery type and total charge capacity; charge mode (fast or slow charge) and time; and the power and input voltage of the off-board charger; etc.</li> </ol>
<p><b>Subsidy Standard</b></p>	<ol style="list-style-type: none"> <li>1. The subsidy standard should be determined based on battery pack power. New energy automobiles meeting relevant conditions will enjoy a standard subsidy of RMB 3,000 per kilowatt hour. The maximum subsidy is RMB 50,000 for each PHEV and RMB 60,000 for each EV.</li> <li>2. The fiscal subsidy will be reduced gradually. Specifically, if a manufacturer achieves a sales volume of 50,000 PHEVs and 50,000 EVs within the pilot period (2010-2012), the central government will gradually reduce the fiscal subsidy to the manufacturer.</li> </ol>