



HIGH TARIFFS FUEL FRENCH SOLAR BOOM

The strong incentives developed by France for solar power projects over the last years have paid off beyond expectation. By the end of 2006, the total solar capacity connected to the French mainland grid accounted for six megawatts (“MW”); by the end of 2008, this figure had already risen to 18 MW and is expected to boom at 850 MW by the end of 2010. Moreover, the solar power projects filed to date represent an overall capacity of 3,000 MW. France is therefore far beyond its objective of 1,100 MW total connected solar capacity by the end of 2012 and expects to reach its final objective of 5,400 MW total connected solar capacity much sooner than the planned deadline of 2020.

This exponential growth of solar projects in the country is due to France’s aggressive development policy, which is served by strong incentives for investors in terms of tax deductibility of photovoltaic investments and preferential solar electricity purchase rates among the highest in Europe, guaranteed on a 20-year basis.

In order to maintain a sustainable development of the solar power sector and avoid purely speculative projects while the cost of photovoltaic equipment is continuously decreasing, the French government passed a first reform of solar electricity purchase rates last November. This resulted in an increase in the variety of purchase rates—essentially depending on the location of the solar project and its degree of integration in existing or new building frames—and a gradual decrease of the overall rates.

In view of the continuous growth of the sector, in particular in terms of industrial projects, the French government further reduced the solar electricity purchase rates by 12 percent on September 1, 2010. It is worth noting that despite such decrease, the French rates for solar electricity will remain among the most attractive in Europe. For instance, the two other most dynamic countries in this sector, Germany and Spain, have recently lowered their purchase rates—which were already below the French rates—by 15 percent.

The new base rate for ground solar facilities will be 35.2 c€/kilowatt-hour (“kWh”) in the French overseas districts and range from 27.6 c€/kWh to 33.12 c€/kWh on France mainland, depending on the location of the project (essentially, projects located in the north of France will benefit from higher purchase rates to compensate for a lower sunshine ratio), while the new base rates for solar installations integrated in building frames will range from 37 to 51 c€/kWh.

The anticipated change in the rates is seen as the first step in a broader reform of the regulated preferential solar electricity purchase rates system, aiming at increasing its responsiveness to the development of this business sector, while guaranteeing a yearly growth of 500 MW.

LAWYER CONTACTS

For further information, please contact your principal Firm representative or one of the lawyers listed below. General email messages may be sent using our “Contact Us” form, which can be found at www.jonesday.com.

Laurent Vandomme

Paris

+33.1.56.59.39.31

lvandomme@jonesday.com

Françoise S. Labrousse

Paris

+33.1.56.59.39.48

flabrousse@jonesday.com

Etienne Dinner

Paris

+33.1.56.59.39.68

edinner@jonesday.com

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