Lehman, Lee & Xu’s Energy & resources law practice is built on the firm’s strength in the fields of project development and project financing, corporate, taxation and dispute resolution. Our strengths and experiences have resulted in a strong foundation for the representation of energy-related industries.

Our lawyers have extensive experience in handling the approval, development and financing of oil and gas projects and independent power production facilities, with a particular focus on renewable energy sources, such as wind and solar power, hydro-electricity and biomass. We can provide full-range legal assistance, technical support and consultancy in the areas of environment and energy, and can assist in the structuring and implementation of Clean Development Mechanism (CDM) projects.

Additionally, thanks to a strong global network established with law firms and investors from various Kyoto Protocol’s Annex B countries, Lehman Lee & Xu can perform research, on behalf of project developers, of potential foreign partners/investors and CERs buyers, for the CDM projects. Likewise, we can assist with research on behalf of foreign investors of potential Chinese partners/CERs sellers.
The maintenance of a stable eco-system and the achievement of sustainable development as well as environmental improvement have become main concerns for the Government. As pollution accidents are dramatically increasing, stricter requirements have been introduced by the new Environmental Impact Assessment law, and polluters are facing heavier penalties.

To strengthen enforcement, the State Environmental Protection Agency has been upgraded to ministerial status with the creation of the Ministry of Environmental Protection in March of 2008. A nationwide corporate credit system has been implemented, according to which, commercial banks are required to consider potential borrowers’ environmental records when deciding to issue loans.

Special green taxes are in the process of being developed, as well as tax incentives for low-polluting enterprises. An example is the policy recently issued by the Beijing’s municipality to promote emissions reduction and energy conservation, according to which, companies will be given a bonus from RMB500,000 up to RMB2.3 million according to the decrease in energy and water consumption, and pollutants’ emissions, as a result of ceasing high polluting activities.

The feasibility study in light of environmental laws and regulations represents the first step toward the implementation of most of the investment projects.

Our team of professionals provides clients with comprehensive assistance on compliance matters, and acts on their behalf to obtain necessary authorizations from relevant authorities.

OUR SERVICES
- Environmental due diligence, risk assessment, impact assessment and environmental law compliance;
- Industrial safety compliance;
- Liaising with the authorities to obtain relevant permits.
POWER MARKET. Due to the country’s recent heavy economic growth, demand for energy in China currently exceeds supply. Even if, in the future, the market reaches a demand-supply balance, such a situation would be temporary and, in the long term, power supply will continue to be in shortage. According to forecasts from energy experts, while China has currently put around 500 GW of installed capacity into operation, it will need to increase this to 750-820 GW by 2010, and to 1.1-1.3 TW by 2020. In other words, an installed capacity of 48 GW should be put into operation every year.

A huge market with tremendous investment potential is therefore available for domestic and international investors. Grids’ improvement to eliminate regional barriers, establishment of new power plants and development of new, efficient and power saving technologies are amongst the main business opportunities.

RENEWABLE ENERGY. Power mix in China’s energy structure has coal as the major component. The installed capacity of coal power accounts for around 70% of the total installed capacity, with a generation volume of 1.80TWh, accounting for some 80% of the total generation volume, while the generation volume of hydropower is 328TWh and the nuclear power accounts for only 2.3% of the total generation volume.

The big challenge for China is the optimization of the power mix in order to decrease dependence on coal, and boost supply from clean and renewable energy sources. The commitment of the Chinese government to lowering GHG emissions while improving the environment and contributing to the sustainable development of various areas, ultimately creating a “socially harmonious society” (as remarked in the eleventh national five years plan: 2006-2010), has led to the creation of policies that highly encourage the implementation of renewable energy projects and the development of advanced clean coal and green technologies.
These factors all lead to the consequent creation of great investment opportunities. The key to efficiently penetrating the market in these areas is the establishment of the proper business structure and the accurate drafting of electricity sales and purchase agreements.

**MINING, OIL AND GAS.** China is notably a country rich in natural resources. Coal and other minerals, as well as oil and gas can be exploited for either international trade purposes or used to feed the nation's enormous demand for energy supply. Foreign investment in the exploration and exploitation of minerals from mining enterprises with new and advanced technology and seasoned experience is highly encouraged by the Government.

Energy experts forecast that an installed capacity of gas-fired power accounting for 6.9% of the total installed capacity will be put into operation by 2020. Priority areas for the development of gas-fired plants are regions with less coal and water resources than others, such as East China and South China. Therefore, exploitation, transportation and importation of natural gas is highly needed.

Additionally, the opening of the wholesale oil market to domestic and foreign investors, as a consequence of China’s entrance in the WTO, creates further business opportunities.

Crucial to the success of investment projects in these areas, is the obtainment of the necessary business licenses through appropriate approval procedures, the establishment of the right business structures and the development of a proper plan to finance the project.

**OUR SERVICES**

- Structuring and financing of mining, oil and gas projects; wind, solar, hydropower and biomass projects; coal-fired, gas-fired and nuclear power projects;
- Corporate and tax assistance on the structuring and operation of the venture;
- Assistance through the approval procedures and liasing with the authorities to obtain relevant permits;
- Drafting of equipment supply, technology transfer, and power purchase agreements (PPA);
- Advise on restructuring, mergers and acquisitions of power generation companies.
Although China is not currently subject to any GHG emissions limitations under the Kyoto Protocol (being technically a non-Annex 1 country under the United Nations Framework Convention on Climate Change) it can participate in the Clean Development Mechanism by hosting CDM projects from Annex 1 countries seeking to reduce China’s emissions thus generating emissions credits that are sold to Annex 1 entities for emissions exceedings off-setting or trading purposes.

CDM projects in China are highly encouraged in the areas set forth by art. 4 of the CDM Measures, such as energy efficiency, new and renewable energy, and methane recovery and utilization. China is the most important CDM host country, accounting for around 60% of the global generation of CERs. At the moment, around 1,200 projects have been nationally approved and 290 projects have been already registered at the UN Executive Board, while nearly a hundred of projects are in the pipeline every month.

OUR SERVICES

- Counsel on CDM requirements compliance;
- Due diligence on potential partners, and strategic and legal support during the preliminary negotiations between the project’s parties;
- Drafting of Emissions Reduction Purchase Agreements (ERPA);
- Establishment of the project entity with further assistance on corporate, tax and intellectual property issues;
- Study and preparation of the Project Idea Note (PIN) and the Project Design Document (PDD);
- Liaising with the authorities and assistance through all the steps of the national and international procedures;
- Research, entrusting and interaction with the Designated Operational Entities (DOEs) for the validation and verification procedures;
- Research of potential partners and CERs sellers/purchasers.