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Committee on Subsidies and Countervailing Measures

Original: Spanish

SUBSIDIES

NEW AND FULL NOTIFICATION PURSUANT TO ARTICLE XVI:1 OF THE GATT 1994 AND ARTICLE 25 OF THE AGREEMENT ON SUBSIDIES AND COUNTERVAILING MEASURES

DOMINICAN REPUBLIC

The following communication, dated and received on 11 May 2023, is being circulated at the request of the delegation of the Dominican Republic.

In accordance with the format of the questionnaire in document G/SCM/6/Rev.1, prepared and adopted by the Committee on Subsidies and Countervailing Measures, the Dominican Republic hereby notifies the following:

1 Title of the subsidy programme, if relevant, or brief description or identification of the subsidy

Subsidies granted under Law No. 57-07 on encouraging the development of renewable sources of energy and their special regimes.

2 Period covered by the notification

This notification covers the period from 2008 to 2022.

3 Policy objective and/or purpose of the subsidy

Law No. 57-07 provides the basic policy and regulatory framework to be applied throughout the national territory to encourage and regulate the development of and investment in projects that make use of any source of renewable energy and seek to benefit from such incentives.

4 Background and authority for the subsidy

Constitution of the Dominican Republic, promulgated on 13 June 2015.

General Electricity Law No. 125-01, of 26 July 2001, as amended by Law No. 186-07, of 6 August 2007, and its regulations.

Law No. 57-07, of 7 May 2007, on encouraging the development of renewable sources of energy and their special regimes.

Law No. 253-12 on strengthening the State's revenue capacity for fiscal sustainability and sustainable development.

Regulation No. 65-23, implementing Law No. 57-07 on encouraging the development of renewable sources of energy and their special regimes.

5 Form of the subsidy (i.e. grant, loan, tax concession, etc.)

Exemptions from import taxes and the tax on the transfer of industrialized goods and services (ITBIS); and income tax credits.

6 To whom and how the subsidy is provided (whether to producers, to exporters, or others; through what mechanism; whether a fixed or fluctuating amount per unit; if the latter, how determined)

Exemption from import taxes on equipment, machinery and accessories: Exemption from all types of import taxes on equipment, machinery and accessories imported by companies or individuals, needed to produce energy from renewable sources, as described in paragraph II of Article 9 of Law No. 57-07. This incentive also extends to the importation of equipment for electric power transformation, transmission and interconnection to the National Interconnected Electric Grid (SENI), for projects based on renewable sources, which comply with this law. Equipment and materials under this chapter are also exempt from the payment of the tax on the transfer of industrialized goods and services (ITBIS) and all final sales taxes.

Tax relief on external financing: Pursuant to Article 11, the tax on interest payments for external financing, established by Article 306 of the Tax Code, as amended by Tax Reform Law No. 557-05, of 13 December 2005, is reduced to 5% for projects developed under Law No. 57-07.

Tax incentives for self-producers: Pursuant to Article 12, depending on the renewable energy technology associated with each project, a one-off income tax credit of up to 40% of the cost of investment in equipment is granted to owners or tenants of family homes, or commercial or industrial premises who switch to renewable energy systems, or expand existing ones, for their own private energy consumption, and whose projects have been approved by the relevant agencies.

Over the next three years, 33.33% of this tax credit will be deducted from the annual income tax payable by the recipient. The Directorate-General of Internal Revenue will require a certificate from the National Energy Commission confirming that the application is genuine.

7 Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy (indicating, if possible, the average subsidy per unit in the previous year). Where provision of per unit subsidy information (for the year covered by the notification, for the previous year, or both) is not possible, a full explanation

Incentive for community projects: Pursuant to Article 13, all social institutions (community organizations, producer associations, registered and incorporated cooperatives) wishing to develop small-scale renewable energy sources (up to 500 kW) to be used by the community, may access financing funds at the lowest market rate for development projects, for an amount up to 75% of the total cost of the work and system installation.

To this end, every year the Ministry of Energy and Mining (MEM) will transfer 20% of incoming resources to the renewable energy and energy saving fund, provided for in Law No. 112-00, of 29 November 2000, establishing a consumption tax on fossil fuels and petroleum products.

8 Duration of the subsidy and/or any other time limits attached to it, including date of inception/commencement

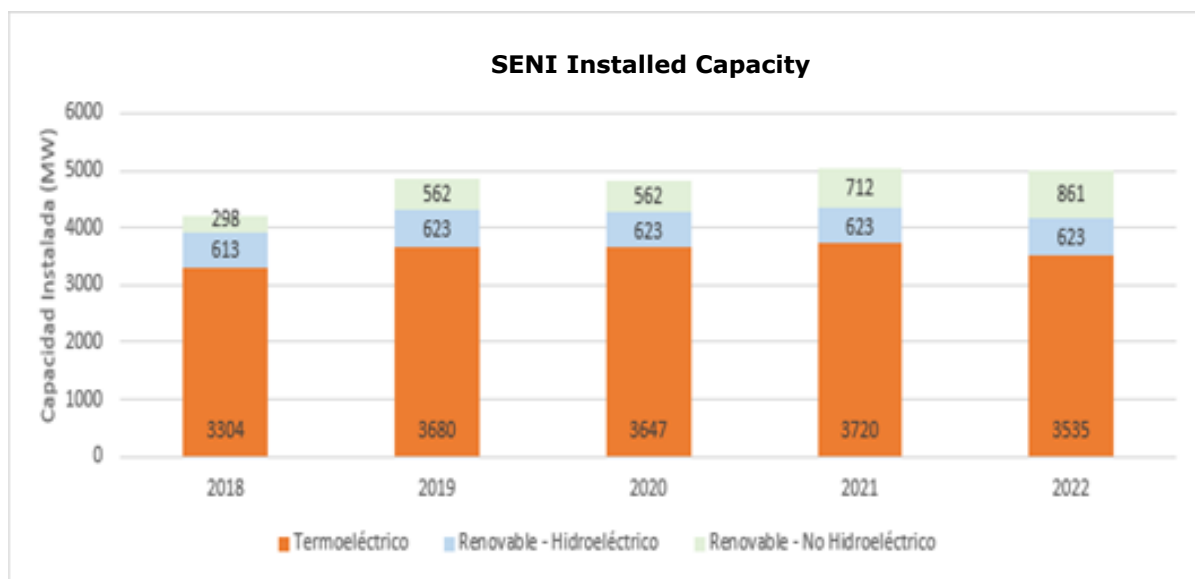
Tax incentives for self-producers: Pursuant to Article 12, depending on the renewable energy technology associated with each project, a one-off income tax credit of up to 40% of the cost of investment in equipment is granted to owners or tenants of family homes, or commercial or industrial premises who switch to renewable energy systems, or expand existing ones, for their own private energy consumption, and whose projects have been approved by the relevant agencies.

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9 Statistical data permitting an assessment of the trade effects of the subsidy. The specific nature and scope of such statistics is left to the judgement of the notifying Member. To the extent possible, relevant and/or determinable, however, it is desirable that such information include statistics of production, consumption, imports and exports of the subsidized product(s) or sector(s):

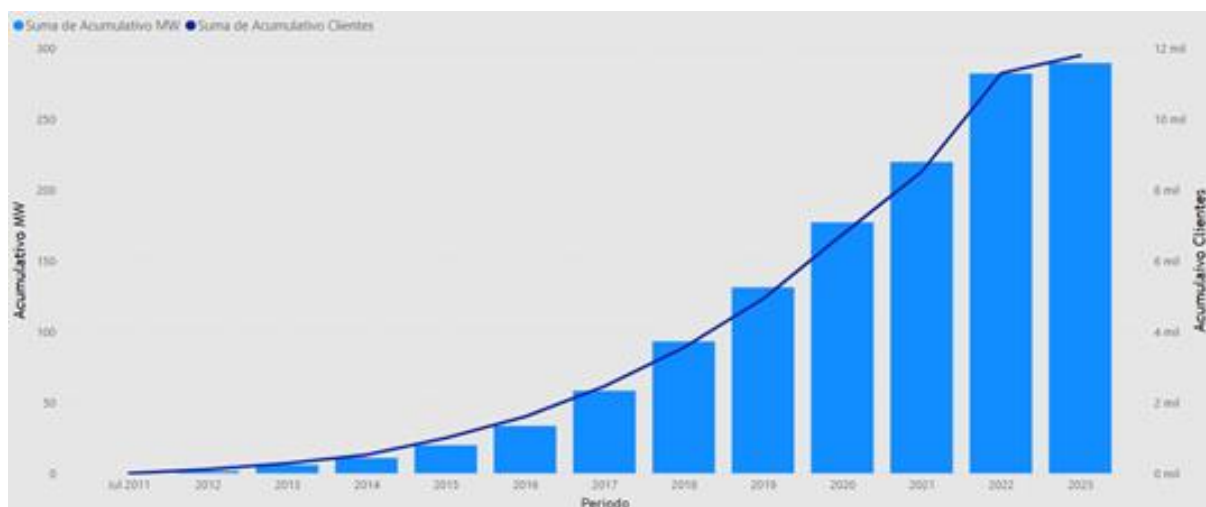
(a) for the three most recent years for which statistics are available;

INSTALLED CAPACITY OF THE NATIONAL INTERCONNECTED ELECTRIC GRID (SENI), 2018-2022



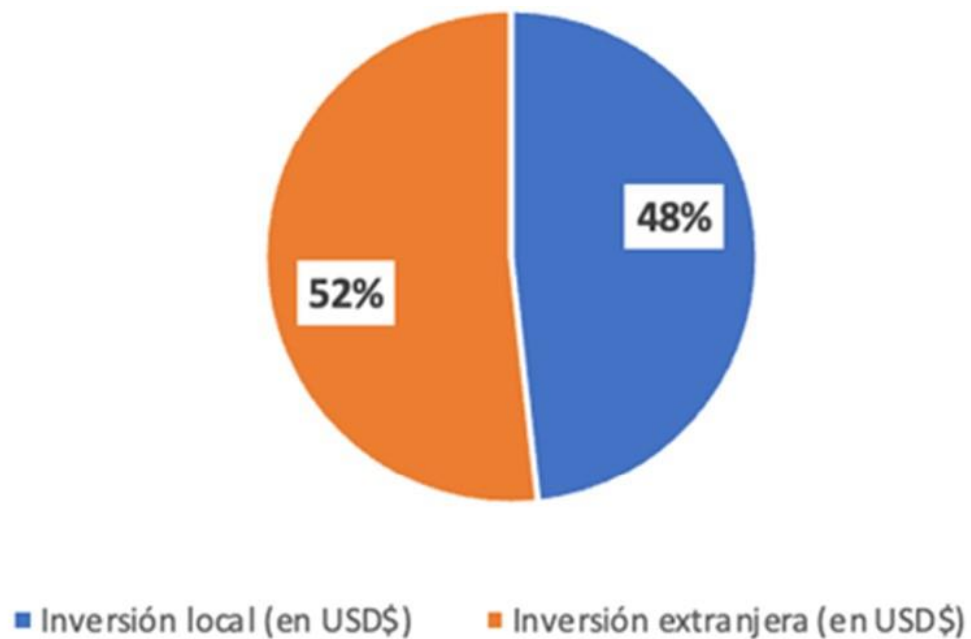
Source: Electricity Directorate, National Energy Commission, 2023.

NET METERING PROGRAMME INSTALLED CAPACITY¹, 2011-2022



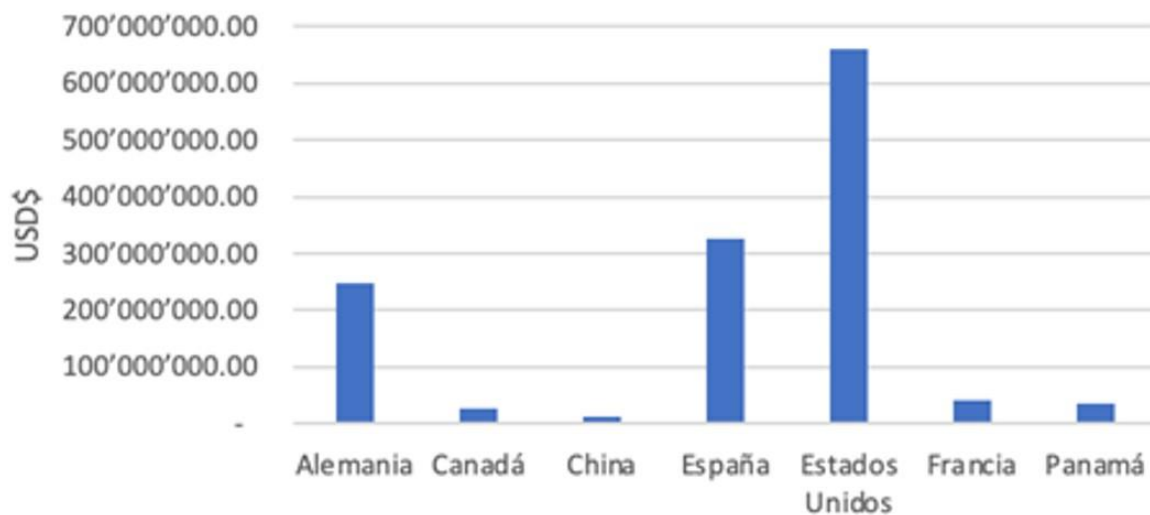
¹ Includes photovoltaic technology only. For more information, please see: <https://www.cne.gob.do/documentos/medicion-neta-documentos/>.

Investment in Renewable Energy Projects, 2020-2023



Source: National Energy Information System, National Energy Commission, 2023.

Foreign Investment in Renewable Energy Projects, 2020-2023



Source: National Energy Information System, National Energy Commission, 2023.

TABLE 1. VALUE OF INCENTIVES GRANTED BY TYPE, IN CURRENT DOMINICAN PESOS (DOP)

Incentives	2020	2021	2022	Accumulated (2008-2022)
(1) ITBIS	DOP 409,688,982.62	DOP 481,490,214.31	DOP 391,193,259.46	DOP 4,054,852,169.18
(2) Tax credit	DOP 171,866,579.87	DOP 587,430,468.23	DOP 290,088,946.32	DOP 4,008,237,507.94
(3) Self-producers' imports	DOP 159,289,515.20	DOP 142,547,020.46	DOP 550,713,301.47	DOP 1,678,127,944.85
(4) Concessionaires' imports	DOP 555,528,312.88	DOP 151,317,599.57	DOP 457,697,126.06	DOP 4,632,218,557.42
Total	DOP 1,296,373,390.57	DOP 1,362,785,302.57	DOP 1,689,692,633.31	DOP 14,373,436,179.39

Source: Law No. 57-07 Incentives Dept., National Energy Commission, 2023.

TABLE 2. NUMBER OF INCENTIVES GRANTED BY TYPE

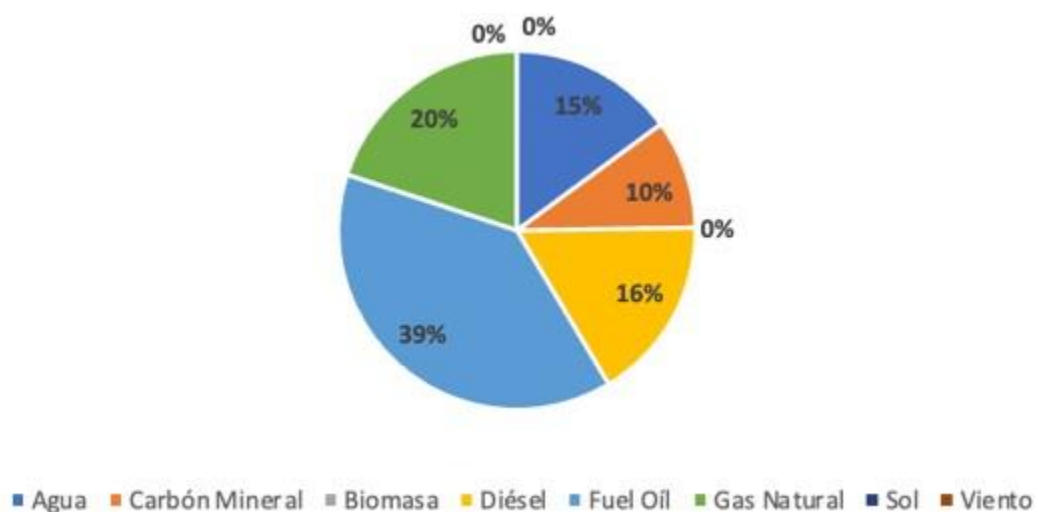
Incentives	2020	2021	2022	Accumulated (2008-2022)
(1) ITBIS	755	964	1239	6821
(2) Tax credit	138	441	307	2454
(3) Self-producers' imports	282	234	236	2575
(4) Concessionaires' imports	59	61	169	1198
Total	1,234	1,700	1,951	13,048

Source: Law No. 57-07 Incentives Dept., National Energy Commission, 2023.

(b) for a previous representative year, which, where possible and meaningful, should be the latest year preceding the introduction of the subsidy or preceding the last major change in the subsidy.

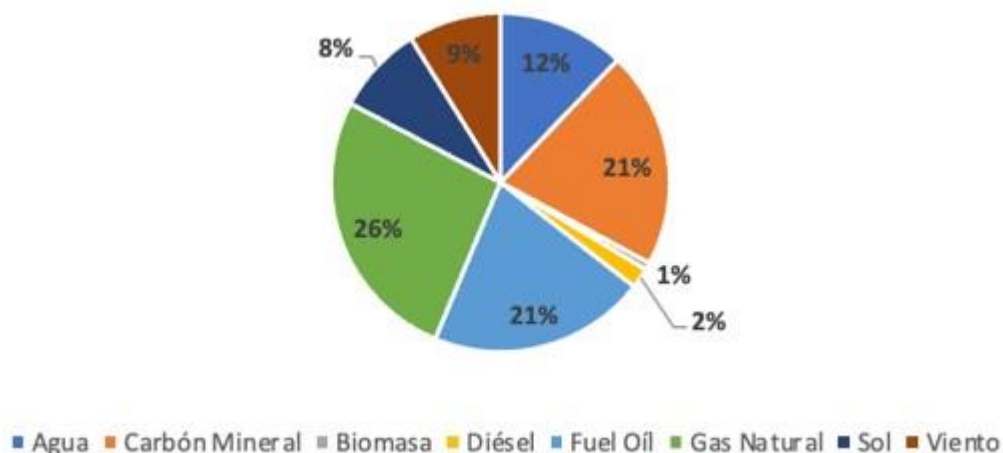
Prior to the promulgation of Law No. 57.07, the only progress in the non-conventional renewable energy sector was in the areas of research and potential assessment. The promulgation of this Law and its regulations marked a milestone for national energy development, by creating the basis for attracting investment in renewable technology. However, the first large-scale wind farm and the first smaller-scale photovoltaic projects in businesses, factories and homes were not set up until 2011. In this connection, it is only possible to display data on the installed capacity of the National Interconnected Electric Grid, comparing 2006 (the year prior to the introduction of the regulations) and 2022 (the most recent year for which data are available).

Installed Capacity of the National Interconnected Electric Grid, 2006



Source: National Energy Information System, National Energy Commission, 2023.

Installed Capacity of the National Interconnected Electric Grid, 2022



Source: National Energy Information System, National Energy Commission, 2023.