



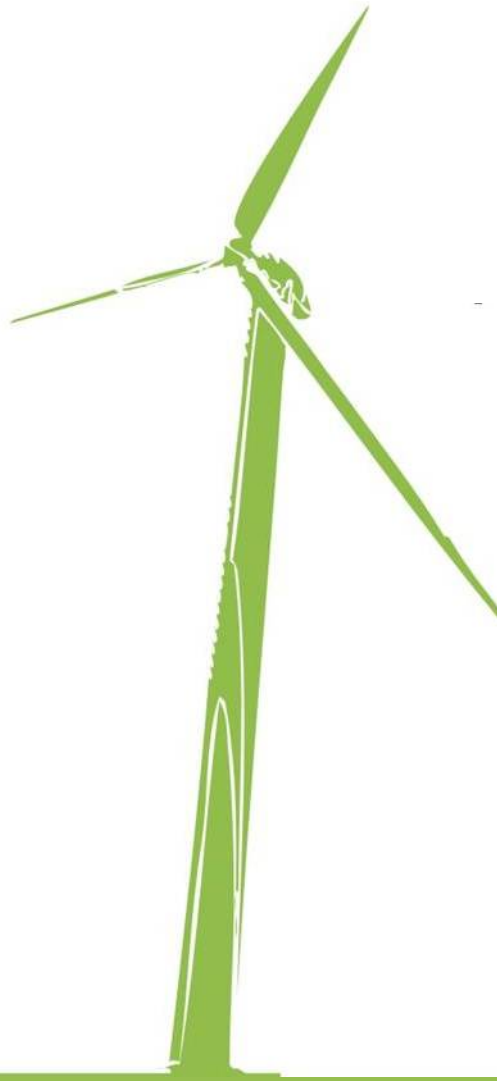
Environmental Goods & Services: Case for Wind Energy

WTO Workshop on Environmental Goods and Services

23rd September, 2009 || Geneva

Chintan Shah, Suzlon Energy Limited

Disclaimer



- *This presentation and the accompanying slides (the “Presentation”), which have been prepared by Suzlon Energy Limited (the “Company”), have been prepared solely for information purposes and do not constitute any offer, recommendation or invitation to purchase or subscribe for any securities, and shall not form the basis or be relied on in connection with any contract or binding commitment whatsoever. No offering of securities of the Company will be made except by means of a statutory offering document containing detailed information about the Company.*
- *This Presentation has been prepared by the Company based on information and data which the Company considers reliable, but the Company makes no representation or warranty, express or implied, whatsoever, and no reliance shall be placed on, the truth, accuracy, completeness, fairness and reasonableness of the contents of this Presentation. This Presentation may not be all inclusive and may not contain all of the information that you may consider material. Any liability in respect of the contents of, or any omission from, this Presentation is expressly excluded.*
- *Certain matters discussed in this Presentation may contain statements regarding the Company’s market opportunity and business prospects that are individually and collectively forward-looking statements. Such forward-looking statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and assumptions that are difficult to predict. These risks and uncertainties include, but are not limited to, the performance of the Indian economy and of the economies of various international markets, the performance of the wind power industry in India and world-wide, competition, the company’s ability to successfully implement its strategy, the Company’s future levels of growth and expansion, technological implementation, changes and advancements, changes in revenue, income or cash flows, the Company’s market preferences and its exposure to market risks, as well as other risks. The Company’s actual results, levels of activity, performance or achievements could differ materially and adversely from results expressed in or implied by this Presentation. The Company assumes no obligation to update any forward-looking information contained in this Presentation. Any forward-looking statements and projections made by third parties included in this Presentation are not adopted by the Company and the Company is not responsible for such third party statements and projections.*
- *No offering of the Company’s securities will be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”). Accordingly, unless an exemption from registration under the Securities Act is available, the Company’s securities may not be offered, sold, resold, delivered or distributed, directly or indirectly, into the United States or to, or for the account or benefit of, any U.S. Person (as defined in regulation S under the Securities Act).*
- *The distribution of this document in certain jurisdictions may be restricted by law and persons into whose possession this presentation comes should inform themselves about and observe any such restrictions.*

Structure of the Presentation

- The Context

- o Market Overview for Environmental Goods & Services
- o Increasing Focus on Renewable Energy Technologies Today
- o Leading Edge for Wind Energy
- o Global Footprint : CY 2008
- o Policy Support for Wind : USA & Europe
- o Policy Support for Wind : India & China

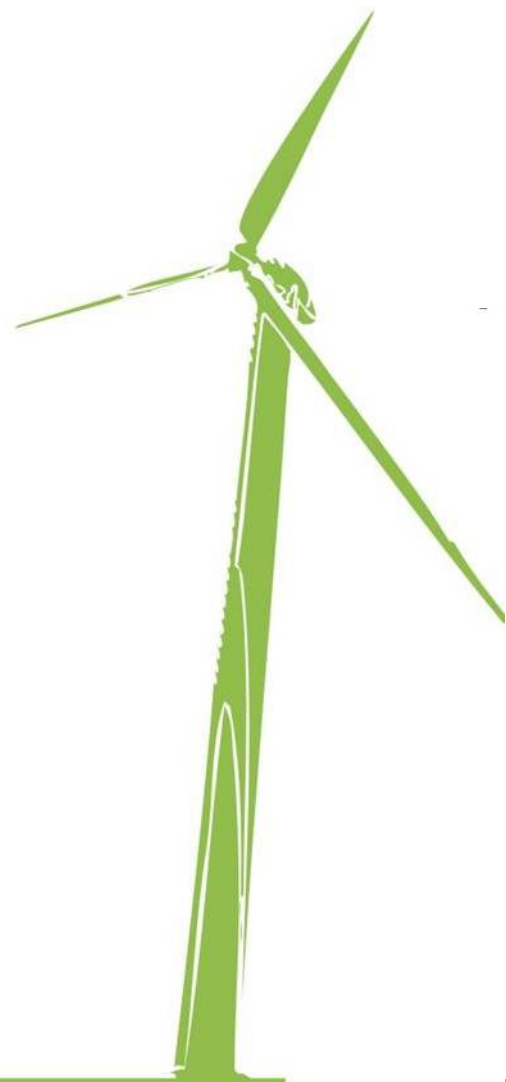
- The Suzlon Group

- o About Suzlon
- o Suzlon's Foot Print : Exports From India

- Country Wise Profile : Tariff & Non Tariff Barriers

- o Brazil
- o Australia & USA
- o Turkey
- o Other Countries

- Learnings and the Way Forward



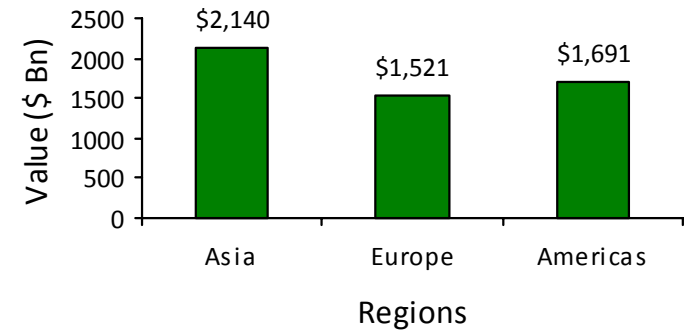
The Context



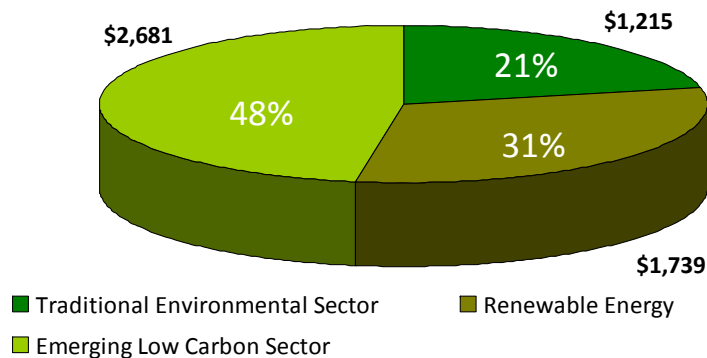
Market Overview for Environmental Goods & Services

- Global Market for EGS estimated at \$ 5,635 Bn with a growth rate of 4% in 2007-08
- Asia at the forefront with 38% of Market Share, followed closely by Americas (30%) and Europe (27%)
- Within Asia, China emerges as the most active player in the EGS Space (CY 2008 & 2009)
- However, at present USA takes the lead with 20.6% share in the global market

Global Market for LCEGS (2007-08)



Market for Type of LCEG (2007-08)



- Of the 23# Products & Services included in this analysis, Alternative Fuels hold the Largest Market Value (18.5%), with Wind Sources following closely at 11.5%
- Growth performance has been varied across sectors, but was higher for Renewable Energy Sub Sectors



Increasing Focus on Renewable Energy Technologies Today

- Definition of What Constitutes these goods is important – Finished Products may not be beneficial to the Developing World Economy
 - o Finished Goods ~ Solar Modules, Wind Turbine Generators, Small Hydro Generators
 - o Intermediate Goods ~ Solar Cells, Silicon Ingots, Gear Box, Associated electronics et al
- This definition is expected to change over time due to High Obsolescence in RE Goods
 - o High Levels of R&D lead to Betterment and Upgrade of Technology Employed
 - o Definition should be Dynamic so as to accommodate for Latest Technology Trends
- Wind and Solar Sources of Renewable Energy ~ Drivers for Renewable Energy in the future
 - o Traditional Sources such as Small Hydro and Biomass would witness slower growth trends
 - o Upcoming Technologies like Wind and Solar are envisaged to be Front-runners in the future



Leading Edge for Wind Energy

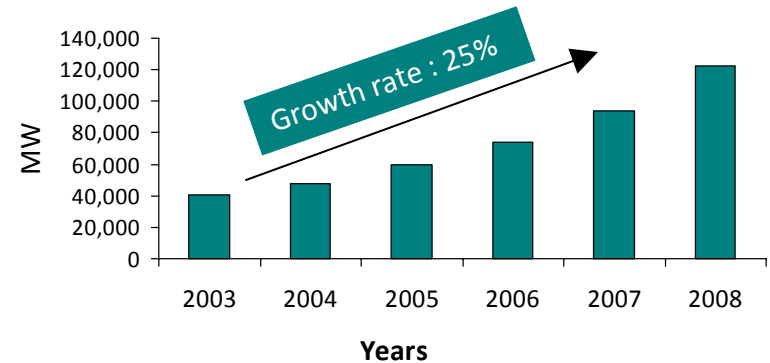
Expansive Market for Wind

- o Historical Growth recorded at an impressive 25% (starting 2003)
- o Rising Global Imprints ~ 28000 MW (\$ 36.4 Bn) installed in 2008 vis-à-vis 19000 MW (\$ 24.7 Bn) in 2007 (Growth of 47%)

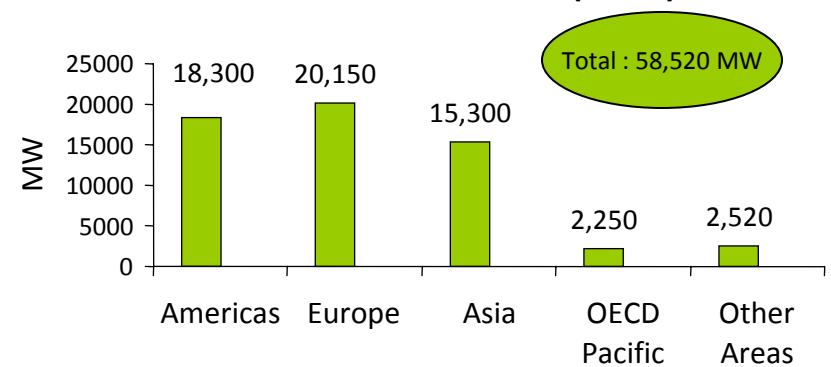
Future Outlook

- o Annual Installations to touch 58,000 (\$ 75.4 Bn) MW by 2013
- o US to compete closely with EU
- o For Asia, China and India to exhibit strong growth in demand
- o CAGR for Cumulative Installations ~ 23% p.a

Growth of Wind Power Installations



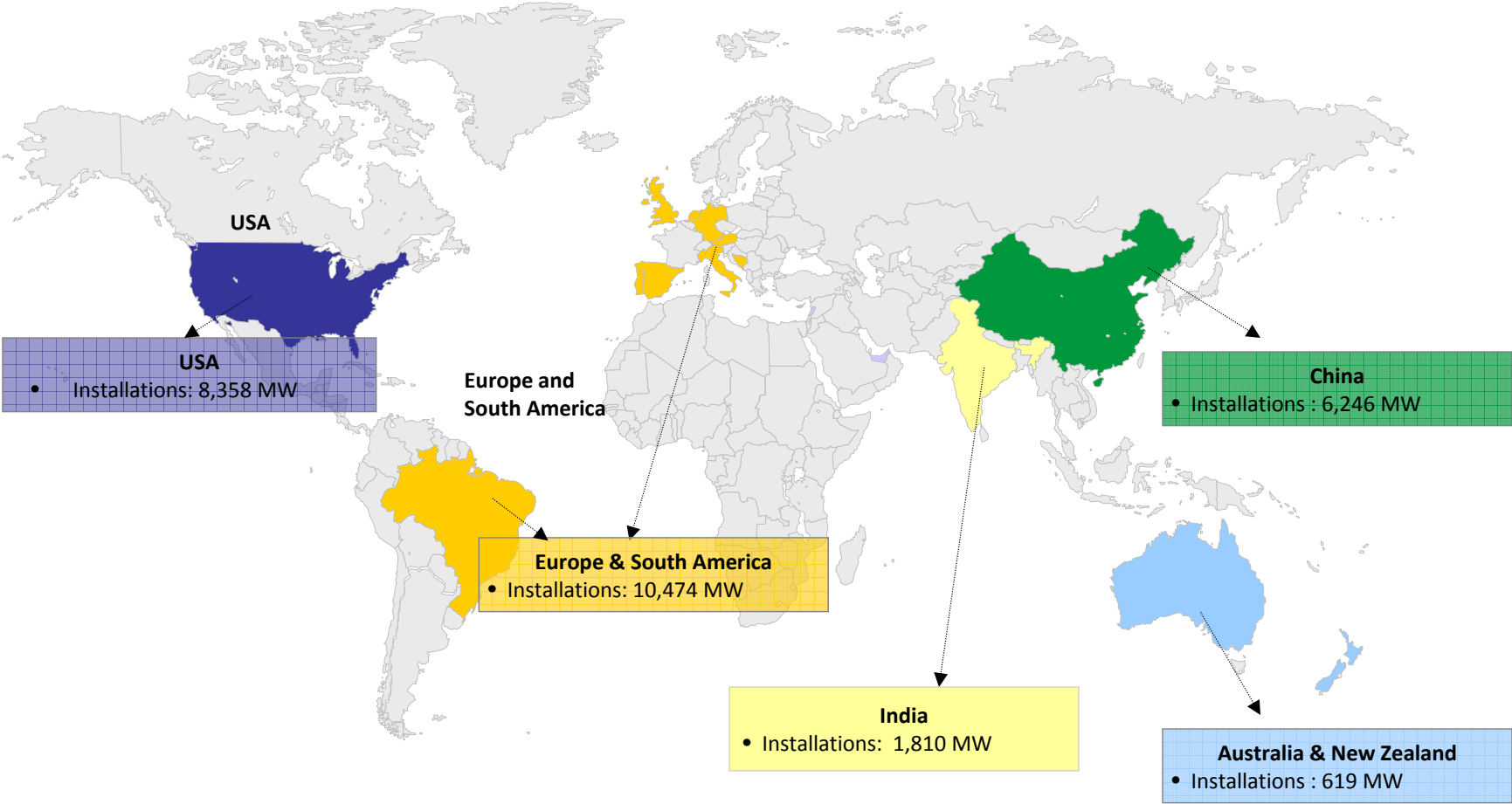
Installation forecast in 2013 (MW)



Annual Installed capacities to double by 2013



Global Wind Energy Installations : CY 2008

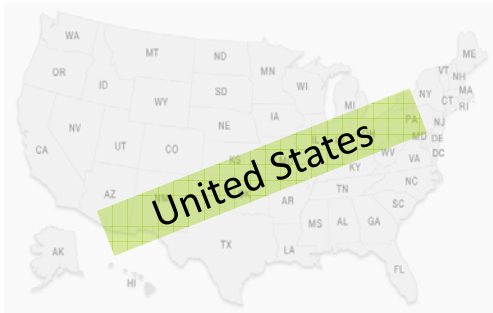


Note:

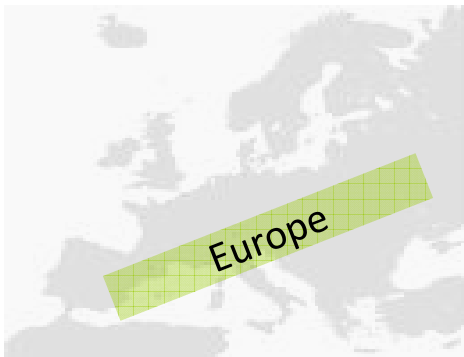
- Europe includes Denmark, France, Italy, Portugal, UK, Netherlands, Turkey
- Americas includes United States, Canada
- Data as for Total Installations in 2008



Policy Support for Wind: USA & Europe



RPS	Waxman-Markey Bill proposes 6% by 2012; 20% by 2020 <i>[Applicable for each electricity producer supplying more than 4 Mn MWh Units]. RPS present already in 22 states</i>
Tax Credits	Extension of PTC and ITC Under ARRA, till 2012
Grants	Allocated by DoE, Grants up to 30% of Wind Project Cost
Finance Options	Introduction of Clean Renewable Energy Bonds worth \$1.6 Bn



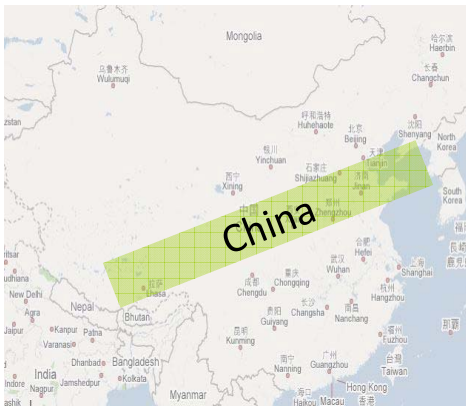
European Union	<ul style="list-style-type: none"> Proposed RPS of 20% by 2020
Germany	<ul style="list-style-type: none"> Attractive Feed in Tariffs Grid Investments for Offshore are Forthcoming RPS Target of 18% by 2020
France	<ul style="list-style-type: none"> RPS Target of 23% by 2020 Loans available at lower interest rates for “Green Projects”
Spain	<ul style="list-style-type: none"> RPS Target of 20% by 2020 Possible Upward Revision of Lower Feed in Tariffs Investment Fund available for EUR 5 Bn ~ Could be increased to EUR 20 Bn
UK	<ul style="list-style-type: none"> RPS Target of 15% by 2020 Allocation of GBP 100 Bn by 2020 Introduction of Feed in Tariff by 2010



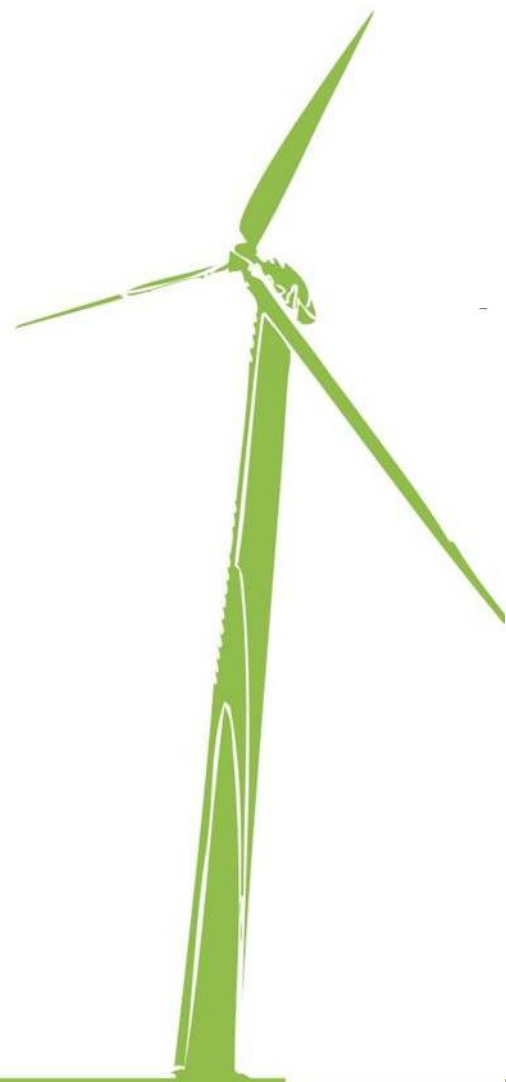
Policy Support for Wind : India & China



RPS	<ul style="list-style-type: none"> • Majority of the States have allocated RPS Ratios • Prime Ministers Action Plan recommends National RPO of 15% by 2020 • 19 states have passed RPS orders
GBI	Proposal to Introduce GBI for IPPs (~ € .007 per kWh)
Feed in Tariffs	<ul style="list-style-type: none"> • Constantly Under Revision to Increase Project Attractiveness • Differential Tariffs for Windy and Non Windy regions (<i>by CERC</i>)
RECs	Structure for Use of Renewable Energy Certificates is under consideration, which would aid in meeting RPS in non windy states



RPS	<ul style="list-style-type: none"> • 100 GW by 2020, possible revision to 150 GW • 10% by 2020 • 3% Portfolio from Non Hydro Sources, for Power Producers with Capacity > 5 GW
Grid Up gradation	Proposed transfer of responsibility from Govt to Utilities
“Look Local”	70% assembly Localization requirement to continue



SUZLON Group



About Suzlon

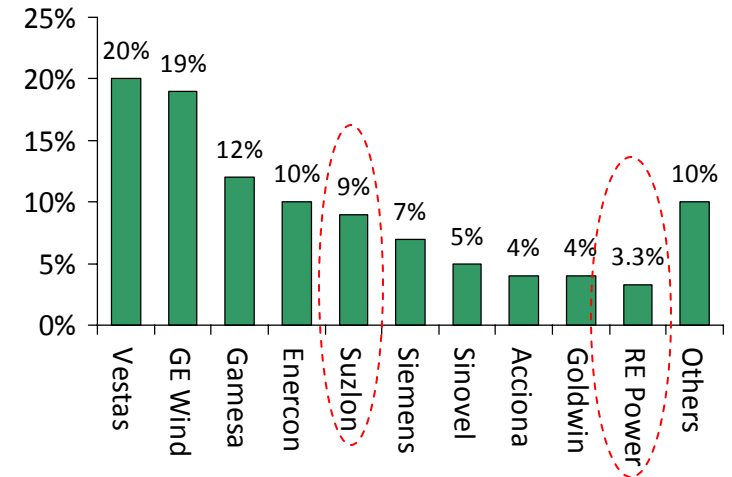
Company Overview

- o End to End Solution ~ Concept to Commissioning Mode
- o 3rd Largest Manufacturer in the world (*including REpower*)
- o Maintaining top position in the Indian Market for Last 10 years
- o Export coverage spreads across Europe and Americas
- o Manufacturing Base in India, China and the US
- o Extensive Product Coverage for Varied Investor Appetite
(.60 MW, 1.25 MW, 1.50 MW, 2.1 MW ~ Onshore Capacities)
- o Recently Acquired RE POWER for enhancing Offshore Capacities

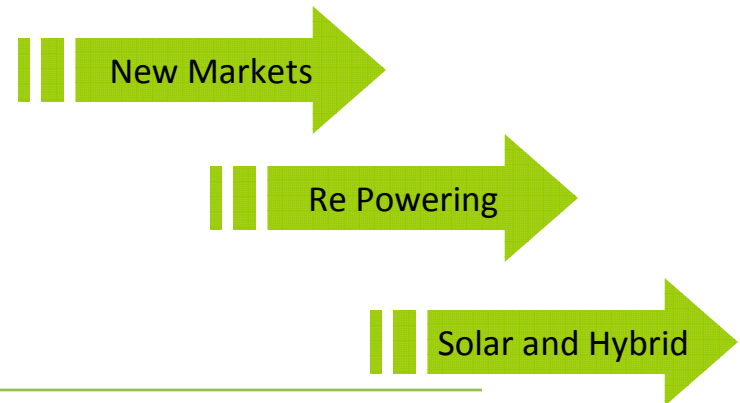
Our Vision

- o Market Diversification ~ Exploring new market segments
- o Exploiting the potential for Repowering
- o Developing Expertise for Solar and Hybrid Technologies

Market Share : Wind Turbine Manufacturers



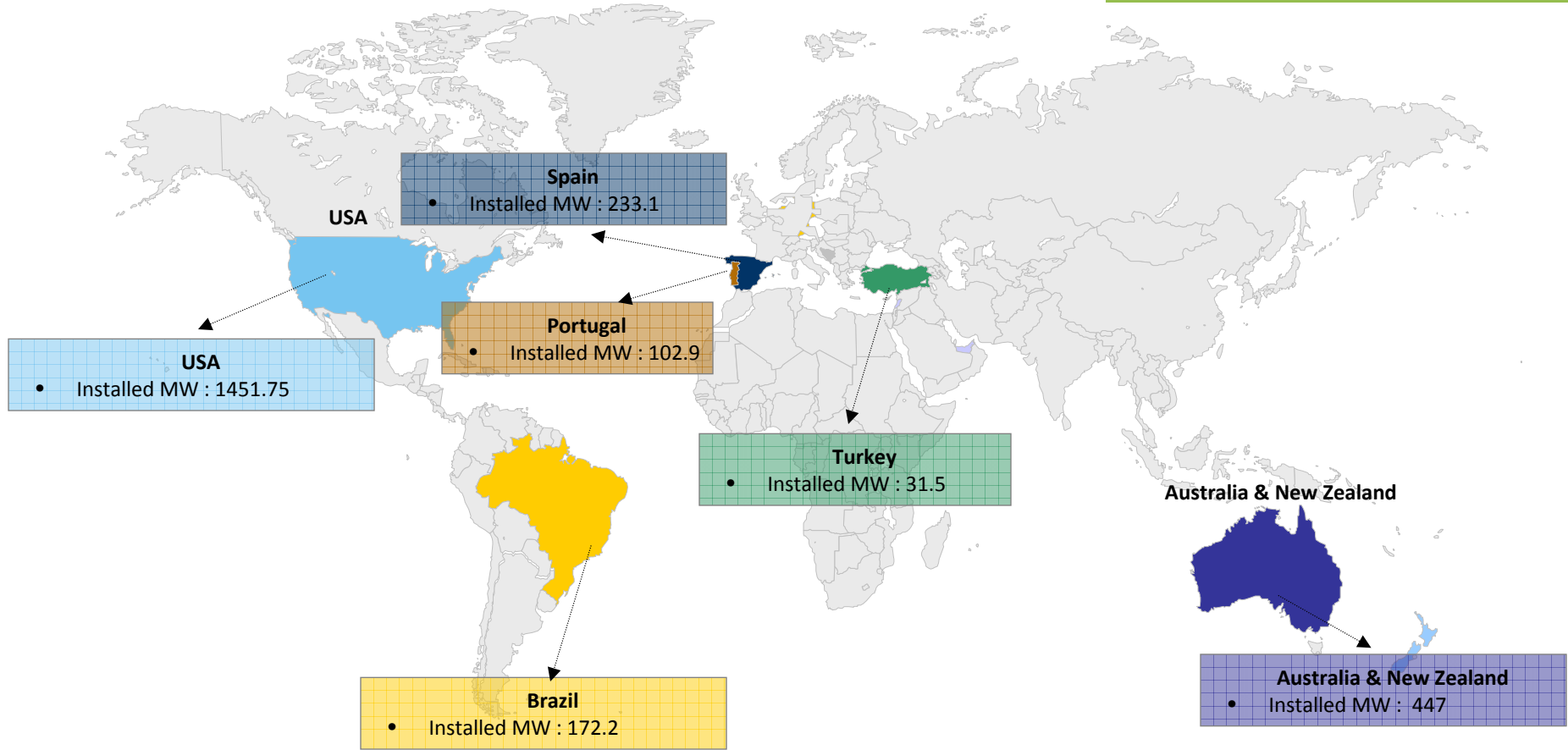
Source: BTM Consultants Report March 2009



Source: BTM World Market Update, Suzlon Internal



SUZLON's Foot Print : Exports From India*



* Company has established full fledged manufacturing unit in China; foot print in China is treated as domestic sales



Country Wise Profile: Tariff & Non Tariff Barriers



Brazil

Adopted Duty and Tax Structure

HS CODE	Product	Type of Levy	Levy Rate	Comments
85023100	Wind Turbine Generator	Maritime Merchant Renewal Fee	25% of Ocean Freight Charges	Charges for Upkeep of Ports and Waterways
		Import Duty	0% of CIF Value	Earlier Import Duty of 14% has been currently waived off, to be reinstated by Dec 21, 2009
		Industrial Products Tax (IPI)	0%	
		Merchandise Circulation Tax (ICMS)	17% of (CIF, Duty, IPI, PIS, COFINS etc)	Tax Imposed on Circulation of Manufactured Products
		PIS and COFINS	PIS : 1.65% of CIF COFINS: 7.6% of CIF	Levies towards contribution to Social Security

Non Tariff Barriers

- o Local Content Requirement of 60%
- o Restricted Movement of Resources ~ Difficult to get Work Visa
- o Shipping Vessels are Mandated to Carry Brazilian Flag



Australia and USA

■ Australia: Adopted Duty and Tax Structure

HS CODE	Product	Type of Levy	Levy Rate	Comments
85030090	Parts associated with Electric Generating Sets (Associated with HS Code 8501/8502)	Customs Duty	10% of FOB	
		Goods Service Tax	10% of (CIF+ Customs Duty + <u>Wine Equalization Tax</u>)	
73082000	Tower and Lattice Masts	Customs Duty	5% of FOB	
		Goods Service Tax	10% of (CIF + Customs Duty + Wine Equalization tax)	

■ USA: Adopted Duty and Tax Structure

HS CODE	Product	Type of Levy	Levy Rate	Comments
85023100	Wind Turbine Generator	Harbor Maintenance Fee	.125% of Merchandise Value	Imposed to upkeep Importer's use of the harbor and ports
		Import Duty	0%	For Imports from developing countries (GSP*)

- Adopted Duty and Tax Structure

HS CODE	Product	Type of Levy	Levy Rate	Comments
73082000	Tower and Lattice Masts	Stamp Tax	33.9 TRY Per Transaction	
		Custom Duty	0%	0% Custom Duty for Imports from Developing Countries (<i>GSP</i>), else 2.7% Duty is charged
		Value Added Tax	18% of (CIF+ Customs +Stamp Tax + Agriculture Tax + Mass Housing fund + Special Consumption Tax)	

- Non Tariff Barriers

- o Restricted Movement of Resources ~ Difficult to get Work Visa
- o Non Lucrative Tariff for Wind Power Generation, Currently Under Revision



Other Countries

- Duty and Tax Structure for HS Code 73082000, Tower and Lattice Masts

Type of Levy	Spain	Portugal	Germany	Bulgaria
Custom Duty	Free	Free	Free	Free
Value Added Tax	16%*	21%*	19%*	20%*

- Duty and Tax Structure for HS Code 85030090, Parts of Electric Generating Machine

Type of Levy	Spain	Portugal	Germany	Bulgaria
Custom Duty	Free**	Free**	Free**	Free**
Value Added Tax	16%*	21%*	19%*	20%*

* : Value Added Tax calculated on CIF + Duty + Excise Value, for all countries

** : Free for Imports from Developing Countries (Under Generalized System of Preferences (GSP))



Learnings and the Way Forward

LEARNINGS

- o Different Kinds of Trade Barriers are Imposed on Trade of RE Goods (*Suzlon has been able to overcome those, may not be possible for others to replicate*)
- o Non Tariff and Structural Barriers greatly Impede Market Access for Developing Countries
- o Visible lack of “**Made in Developing Economies**” Brand Equity, dampening Trade Prospects
- o Non Recognition of Indian Testing Standards also act as a deterrent to the same

WAY FORWARD

- o Thrust on ‘**Carbon Neutral, or even Positive**’ in Developing Countries ~ *Increased demand for EGS is expected*
- o ‘Need of the Hour’
 - Creation of a Level Playing Field for Developing Nations ~ *Break down of Stringent Non Tariff and Structural Barriers*
 - Higher Acceptance of Indian Testing Standards
 - Encouraging South- South and South-North Trade Dialogues
- o Multi Pronged Strategy to boost Liberalization of Trade in EGS
 - Appropriate Voicing of Concerns at Multilateral Trade Forums
 - Increased number of Bilateral Trade Agreements, with Focus on EGS
 - Introspect to Improve Internal Systems and Remove Unwarranted Trade Restrictions

Thank You

For further Information

Chintan Shah

Head – Strategic Business Development

SUZLON Energy Limited

Ground Floor, Godrej Millennium Bldg

9, Koregaon Park Road

Pune – 411 001

India

Phone : +91.20.401.22505;22000

Email: cns@suzlon.com