Proposed Incentives for the Energy Sector

Guiding considerations

Incentives for the renewable energy and energy efficiency sectors are direct prescriptions of the National Energy Policy (NEP). Goal 1 of the NEP is that Jamaicans embrace efficiency; Goal 3 calls for the development of indigenous renewable resources; Goal 7 envisions energy efficiency as a key part of business competitiveness; and Goal 5 obligates the government to create a legal and regulatory framework that makes these goals achievable.

In general, any proposed incentives must be designed to promote:

1. Growth in electricity generating capacity using renewable resources
2. Reduction in cost of the renewable technology
3. Market sustainability of the renewable technologies
4. Growth in the production of ethanol fuels

Good incentives are targeted, cost effective, time-bound, and portfolio-based.

Characteristic	Guiding Principles
Targeted	✓ Clear intended outcome ✓ Removes specific barriers to economically viability ✓ Certainty of reaching those for whom it is intended ✓ Not duplicative or open to double-dipping
Cost – Effective	✓ Balances administration costs against expected benefits ✓ Minimizes errors of inclusion and exclusion ✓ Encourages service at least cost ✓ Tranparent ✓ Does not incentivise ineffcient use of a product or service
Time bound	✓ Established duration ✓ Expires as the technology/industry becomes viable
Portfolio Based	✓ Related subsidies in harmony with each other and policy ✓ Considered as a portfolio of investments

Incentives can be broadly divided into **cost reduction incentives** and **market incentives.** Most of the proposed incentives are targeted at cost reduction; that is, they aim to make technology more accessible to end users. Feed-in tariffs would be a market incentive, and would stimulate investments in renewable energy generation.

Incentive	Description / example
Investment tax credits	• Costs of installation or retrofitting of approves effciiency or renewable technologies made tax deductable
Accelerated depreciation	• Installed equipment allowed to depreciate for tax assessment purposes at a faster rate depending on the technology employed
Property tax reductions	• Reduced property tax for renewable energy facilites • Reduced property tax for efficient or carbon neutral buildings
Import duty exemptions/reductions	• Reduction or elimination of import duties on renewable generation equipment • Reduction or elimination of duties on items that are significantly more effcient than standard technology
Sales tax exemptions / reductions	• A reduction of GCT on energy-effcient items (e.g. LED bulbs)
Concessionary loan arrangements	• Low interest rates and flexibile collateralization of funds for efficiency upgrades, retrofits, and innovative renewable technology
Feed-in tariffs	• A special rate guaranteed for the provision of energy to the grid, restricted to defined renewable technologies.

Existing and Proposed Duty Concession (CET) for Renewable Energy and Energy Efficiency Items

Issues and Analysis

Energy conservation and efficiency remains Jamaica's only short-term response to addressing its increasing dependence on oil and protecting itself against the volatility in oil prices.

The National Energy Policy (Green Paper 2009-2030) highlights conservation and efficiency as its number one goal. Efficiency it states can be achieved if among other things, incentives are provided and there is access to available energy-saving products and devices. The Policy also speaks to Jamaica realizing its energy resource potential through the development of renewable energy sources. To this extent, contributions of renewables to the energy mix of 11% by 2012; 12.5% by 2015, and; 20% by 2030 are targeted. These targets if met are expected to generate annual savings to the tune of US$48.8M, US$55.4M and US$88.6M respectively.

The sustained application of incentives for energy efficiency and renewable energy technologies such as duty concessions and GCT exemption will allow Jamaica to benefit substantially from:

- Reductions in electricity usage.
- Immediate cost savings in the country's energy bill, which can be measured in cost avoided for oil import.
- Development of a culture of energy conservation and efficiency
- The proliferation of renewable energy technologies and the increase use of alternate and clean energy sources
- Encouragement for the development of Energy Services Companies (ESCOs) and resultant increase in employment.
- Trading of carbon credits generated from emissions avoided.

The volatility in oil prices, coupled with the destabilizing effect of the world economic crisis on the Jamaican economy, warrants a sustained and expedited approach to developing the renewable energy sector as well as energy efficiency markets if Jamaica is to alleviate the burden of high-energy cost.

Analysis of household buying patterns in Jamaica for example, indicates that most householders still purchase the major appliances such as lamps, air-conditioners, refrigerators and stoves on the basis of cost rather than the life span of the appliance or the efficiency of operation. In view of this trend, a combination of specific policy initiatives is encouraged. These initiatives among other things should include a tax regime that favors efficiency.

The demand for photovoltaic home systems has increased given the high cost of electricity. This has significant potential for replacing power from the grid. The initial investment required serves as a deterrent to many householders and businesspersons alike. However, with the applicable duty concessions it is estimated that the penetration of this technology in the residential and commercial sector will be the basis for significant savings over the next five years further reducing the demand for fossil based electricity.

In 2006, Jamaica sought approval for the suspension of CET on energy saving items at the Council of Trade and Economic Development (COTED) meeting. Approval was granted for the Common External Tariff to be relieved on a specified list of 29 energy savings items for a period of five years. The period for suspension of the CET for said items expired on May 31, 2011. Approval is now being sought for the suspension of CET on an expanded list of 56 energy saving items. These items are outlined in **Appendix I.** For a list of energy efficient and renewable energy items currently attracting zero rate of duty please see **Appendix II.**

APPENDIX I

RENEWABLE ENERGY AND ENERGY EFFICIENT ITEMS FOR THE SUSPENSION OF THE COMMON EXTERNAL TARIFF		
Tariff Code	**Description of Item (s)**	**Rate of Duty**
3921.11	Polystyrene Roof Insulation	15%
3921.13	Polyurethane Foam Insulation for Roofs	15%
8516.29	Solar Air Heating Systems	15%
8419.90	Accessories for Solar Driers (for Centrifugal Driers including clothes driers)	20%
8506.800 8507.80	Photovoltaic Batteries	20%
8414.51	Solar Electric Fans	20%
8418.212	Solar Electric Refrigerators	20%
9405.400	Solar Screen and Walkway Lamps	20%
9405.91	Parking Area and Security Solar Lighting Systems	20%
8539.39	Bulbs for Solar Powered System	20%
8419.191	Solar Water Heater (domestic)	20%
8419.192	Solar Water Heater (other)	20%
8419.191	Solar Water Heating Systems (domestic)	20%
8419.192	Solar Water Heating Systems (other)	20%
3925.909 (Plastic)	Solar Water Heating mounting accessories	20%
8415.82	Air Conditioning Chillers with Rotary Screw Compressors	15%
2710.192	Kerosene Oil (illuminating)	20%
8418.29.10 (Electric)	Vapour Absorption Refrigeration Systems	15%
8418.29.20 (Solar Non-Electric)	Vapour Absorption Refrigeration Systems	20%
8415.82	Thermal Storage Air Conditioning Systems	20%
8415.100	Ice Thermal Storage Air Conditioning Systems	20%
8415.20	Air Conditioning Chillers with Rotary Screw Compressors (cars)	20%
8418.29.10 (Electric)	Absorption Refrigeration Equipment and Materials utilizing solar energy	20%
8418.29.20 (Solar Non-Electric)	Absorption Refrigeration Equipment and Materials utilizing solar energy	20%
8539.31, 8539.39	T8 Fluorescent Tubes	20%
8539.31, 8539.39	Dc Fluorescent Tubes	20%
8539.310	Compact Fluorescent Lamps	20%
8539.310	Electronic Fluorescent Ballasts	20%
2207.20	Ethanol Fuel Imports	20%
	General Mounting Accessories	
3925.909	Plastic	20%
8507.10, 8507.20	Deep Cycle Batteries	15%
8511.80	Coils (rotor)	20%
3921.90,	Plastic Sheeting for Windows	10%
3919.10-3919.90.90	Self Adhesive	15%
3921.90	Reflective Films for Glass Windows	15%

APPENDIX I

RENEWABLE ENERGY AND ENERGY EFFICIENT ITEMS FOR THE SUSPENSION OF THE COMMON EXTERNAL TARIFF		
Tariff Code	**Description of Item (s)**	**Rate of Duty**
3919	Reflective Panels	15%
7604.10.90, 7604.21.00	Aluminum Angle with Glove	15%
8523.21.90	Magnetic Cards for Blades	15%
8511.50	Permanent Magnet Alternator	20%
8537.10, 8537.20	Control Panels	10%
8537.10, 8537.20	Plcs	10%
6307.90.90 (Textile)	Harnesses	10%
3926.90.90	Plastic	20%
4205	Leather	20%
6307.90.90 (Textile)	Lanyards	20%
6217.10.00, 7326.90.90	Metal	20%
3926.90.90	Plastic	20%
8537.10, 8537.20	Pre-assembled Ac/Dc Power Panels- Power Distribution Panels	20%
8483.20.10	Bearings	10%
4015.19	High Voltage Gloves	10%
8483.30.10	(Plain Shaft for Motor Vehicle)	10%
8511.80	Armature	10%
3921.90, 3919.10-3919.90.90	Tinted or Reflective Glass or Shading Films	10%
8537.20	Lightning Control Unit	10%
8537.10, 8537.20	Energy Management and Control Systems (EMCS) for lighting, Heating and Cooling Energy Management System -9032.89 Energy Control System	15%
4418.10	Wood	10%

APPENDIX II

EXISTING LIST OF ENERGY EFFICIENT AND RENEWABLE ENERGY ITEMS EXEMPTED FROM THE COMMON EXTERNAL TARIFF (CET)		
Tariff Code	**Description of Item (s)**	**Rate of Duty**
6806.20	Perlite roof insulation	0%
7308.30	KOOL KAT Heat Shield coating Roof skylights-classified according to material of frame	0%
7610.90.90	Metal aluminum	0%
8413.81	Solar water pumping system	0%
8413.919	Accessories	0%
8419.90	Flat plate solar collectors (Steel plate elements)	0%
8541.40	-Panels	0%
7322.90	Solar air heating systems	0%
8501.31	Solar power generating systems	0%
8501.34		
8501.61		
8501.64		
8402.11	Solar low pressure steam systems	0%
8402.20.00		
8403.10		
8421.91.1	Accessories for solar driers	0%
8421.91.9		
8451.90	(non-centrifugal driers)	0%
8302.49 (metal)	Solar water heating mounting accessories	0%
8541.40 (panels)	Photovoltaic devices and accessories	0%
8413.11-8413.82	Concentrating and pipe type solar collectors Solar pumps based on solar thermal and solar photovoltaic conversion Solar stills	0%
8419.40	Solar stills	0%
8421.21	Desalination systems	0%
3825.69	**Refrigeration** Waste heat	0%
2711.11 -2711.19	LPG	0%
2711.11	LNG	0%
8414.80	Screw compressors	0%
2903.11-2903.69	Hydrocarbon refrigerants	0%
2710.19.10 (kerosene type jet fuel)	**Cars/vehicles** Kerosene oil	0%
8504.40.00	**Fuel cells** Hydrogen uninterrupted power supply systems	0%
8501 (generator)	Commercial stationary hydrogen fuel cells	0%
8411.81, 8411.82	Hydrogen turbines	0%

APPENDIX II

EXISTING LIST OF ENERGY EFFICIENT AND RENEWABLE ENERGY ITEMS EXEMPTED FROM THE COMMON EXTERNAL TARIFF (CET)		
8502.39	Generators and accessories	0%
8503	Generators and accessories (Parts)	0%
8413.11	Hydrogen-fueling stations	0%
	Appliances **Wind Energy Systems**	
8412.80	Windmills	0%
8412.90	Parts of windmills	0%
8412.80	Wind turbines, support accessories and equipment	0%
	Tower propellers	
	Devices which run on windmill	
	Biogas Systems Bio-gas plants	0%
8407	Bio-gas engines	
8502.39	Bio-gas generators	
	Biogas equipment, appliances and accessories	
8406.81, 8406.82	**Bio-diesel** Extraction condensing turbines for cogeneration along with pressure boilers	0%
8479.82, 8479.90 , 8419.89, 8419.90 (parts), 8421	Waste recycling equipment and accessories	0%
	General Mounting accessories	
8302.49	-Metal	0%
8413.81	Dc water pumps	0%
8533.10-8533.40	Resistors	0%
8541.40	Led	0%
8532.10, 8532.21-30	Capacitors	0%
8542.31-39	Integrated circuits	0%
8541.10	Diodes	0%
8504.40.90	Inverter/chargers	0%
8504.21-34	Transformers	0%
8535.10, 8536.10	Fuses	0%
8414.80	Dc duct fans	0%
7004.20, 7004.90, 7005.10-7005.30	Glass sheeting for windows	0%
9032.10	Programmable thermostats	0%
7314.50(steel)	Expanded metal sheeting	0%
7419.99.90	(copper)	0%
7508.90.90	(nickel)	0%
7616.99.10	(aluminum)	0%

APPENDIX II

EXISTING LIST OF ENERGY EFFICIENT AND RENEWABLE ENERGY ITEMS EXEMPTED FROM THE COMMON EXTERNAL TARIFF (CET)		
7907.00.90	(zinc)	0%
7007.11.10-7007.19.00	Flat tempered glass	0%
8419.90	Wielded water heater panels	0%
7610.90.90	-Prepared for use in structure	0%
8501, 8502	Electric generators	0%
8413	Pumps running on wind energy	0%
9031.80	Data loggers	0%
8544	Miscellaneous cabling	0%
	Grounding equipment	0%
9015.80	Wind vanes	0%
9015.80	Anemometer	0%
9015.80	Met mast computer equipment (wind measurement)	0%
8523.21.10	Ground rods Magnetic cards for blades	0%
8544	Shield wires for substation Transmission cables	0%
8535.21, 8535.29, 8536.20	Breakers	0%
8504.31-34	Current transformers	0%
8504.31-34	Potential transformers	0%
8535.90, 8536.41-8536.49	Relays	0%
8535.90, 8536.41-8536.49	Capacitor banks	0%
8504.40.90	Dc battery chargers	0%
9030.33, 9030.39	Battery meter	0%
9032.89	Charge controller	0%
8504.31-8504.34	Dc auto transformer/battery equalizer	0%
8535.21, 8535.29, 8536.20 (circuit breaker)	Ac/dc disconnects	0%
8535.30, 8536.50	-Switch	0%
8535.21, 8535.29, 8536.20	Ac circuit breakers	0%
8535.21, 8535.29, 8536.20	DC circuit breakers	0%
8547.10-90	Fuse-blocks	0%
8535, 8536	Ground fault protection	0%
8535.40, 8536.30	Lightning arrestors	0%
9030.33, 9030.39	Hot stick (high voltage detector)	0%
9030.33, 9030.39	Voltage detector	0%

APPENDIX II

EXISTING LIST OF ENERGY EFFICIENT AND RENEWABLE ENERGY ITEMS EXEMPTED FROM THE COMMON EXTERNAL TARIFF (CET)		
9030.31, 9030.32	Multimeter	0%
	Short and ground sets Cable guides	0%
8205.59	Wind turbine aligning tools	0%
9030.33, 9030.39	Mega ohm testing equipment	0%
8467.89	Hydraulic torque wrenches	0%
8413.11-8413.82	Pumps	0%
8414.20	Hand and foot operated air pumps	0%
8410.11, 8410.12, 8410.13	Ocean thermal energy conversion system (hydropower systems)	0%
8483.30.90	Impellers/blades Shaft bearing (plain shaft other than for motor vehicle)	0%
8482.10 - 8482.80, 8483.30.90	Bearings	0%
8504.40.00 (electric)	Variable speed drives	0%
8406.10-8406.82	Organic rankine cycle power systems Low inlet pressure small steam turbines	0%
3214.10.90	Variable air volume (VAV) systems Caulking material	0%
8412.21 - 8412.80	Energy efficient motors (power engines and motors)	0%
8407.21	- outboard motors	0%
8501.10 - 8501.53	- electric motors	0%
9028.30 (electricity meter), 9028.90	Net metering equipment and accessories parts	0%
8402.11-8402.20, 8403.10	Boilers that meet standards of efficiency of 85% or greater agricultural, forestry, agro-industrial, industrial, municipal and urban waste conversion devices producing energy-equipment for utilizing ocean waves energy	0%