

# Amendment of the promotion system for the RES energy production approved by the Government

Government Emergency Ordinance no. 24/2017 (the "GEO") amending Law 220/2008 for establishing the promotion system for the RES energy production was published in the Romanian Official Gazette no. 224 dated 31 March 2017

The measures adopted by the GEO are meant to offer a balanced solution for the renewable energy industry and for the national RES target while capping the maximum impact of RES on the electricity price paid by final consumers.

The GEO refers mainly to the following amendments:

## Revised regime of the green certificates

- The validity of green certificates has been extended until 31 March 2032 (as opposed to 12 months since their issuance);
- The GEO clarifies that green certificates are not financial instruments;
- The value of green certificates will be determined at their trading date (since the trading can take place several years after its issuance) and, as such, taxes on the green certificates will be due upon their trading date, as opposed to their issuance date;
- The maximum price of green certificates and the penalty due for failure to meet the mandatory quota have been decreased (*i.e.* the maximum price was reduced from EUR 55 per certificate to EUR 35 per green certificate and the penalty was reduced from EUR 110 to EUR 70 per green certificate).

## Annual target for mandatory acquisition of green certificates

The current annual target system will be replaced by a new mechanism, namely the *annual static quantity of green certificates*, which is defined as the total quantity of green certificates estimated to be issued until the expiry of the support scheme in 2031 (including the green certificates

deferred from trading during 2013 and 2024), divided to the number of the remaining years until expiry of the application period for the promotion system.

The static quantity will be revised every two years based on the actual number of green certificates issued in the previous period before revision. The GEO established that the annual static quantity for 2017-2018 is 14,910,140 green certificates, subject to a first revision in 2018.

The National Regulatory Authority for Energy ("ANRE") will establish the annual target for mandatory acquisition of green certificates based on the static quantity and subject to a medium impact to consumers of EUR 11.1/MWh.

## New trading market

Starting with 1 September 2017, RES producers and suppliers must trade green certificates exclusively on the new anonymous centralised market. Accordingly, they are no longer allowed to amend the existing contracts until such market is organised or to enter into new bilateral contracts for a term exceeding 31 August 2017.

In addition, green certificates can be traded simultaneously on a combined electricity and green certificates market based on regulations which should be prepared by ANRE until 1 September 2017.

## Extended terms for deferral and recovery of green certificates

The deferral term for solar technologies was extended to 31 December 2024 (as opposed to 31 March 2017) and the period of time for recovering such deferred green certificates was set for 1 January 2025-31 December 2030.

The reinsertion period for deferred green certificates issued to hydro and wind projects was extended for 1 January 2018-31 December 2025, while the deferral period for such technologies was not changed (*i.e.* expiring on 31 March 2017).

### Exception from PPAs restriction

According to the GEO, only RES producers operating RES power plants with an installed capacity of up to 1 MW per producer have the option to conclude PPAs with the suppliers of end consumers. Until 31 March 2017, this exception was also permitted for RES producers operating RES power plants with an installed capacity up to 2 MW per producer for high efficiency cogeneration biomass power plants.

### New sanctions imposed through the GEO

The GEO established new breaches of the law which can be sanctioned with fines of up to 5% of the operator's turnover for the previous financial year (or up to RON 1 million – approximately EUR 220,000 for new entities), such as trading green certificates outside the centralised market or entering into addendums to existing green certificates agreements in breach of the limitations imposed by the GEO.

### Entry into force

The amendments above will enter into force starting with 31 March 2017, as of the GEO's publishing in the Romanian Official Gazette.

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