# Regulatory Basics around Guarantees of Origin and PPAs

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# About me

- 10+ years of experience in senior legal positions
- Focus on commercial matters and developing regulatory landscape shaping the renewable energy market
- Lecturer of European Private Law at University of Amsterdam

# Plato’s origin of love

Agenda

# Regulatory Basics around Guarantees of Origin and PPAs

# 01

**Why renewable energy supply /** trading and what is the benefit guaranteed by renewable energy?

**Strong stakeholder demand** (NGOs, consumers, employees, etc) towards sustainability/sustainable products;

**Cross-border trading to limit tax or cost socialisation exposure**, eg: CBAM

Drive for **voluntary corporate (ESG) sustainability initiatives**, incl. alignment with voluntary standards, eg:

- GHGP Corporate Standard, RE100

Cost and supply certainty through long-term renewable **PPAs** (for utilities and corporate buyers)

Push for **Legal disclosure,** eg:

- EU fuel mix disclosure for suppliers
- Support (subsidized) scheme obligations
- CRSD/SFRD reporting obligations

Replacement of carbon offset products

- Generating energy that produces no greenhouse gas emissions from fossil fuels
- Reduction of some types of air pollution
- Diversifying energy supply
- Reducing dependence on imported fuels
- It usually covers all national regulatory benefits for renewable generation:
  - Energy tax reduction/exemption
  - Carbon tax reduction/exemption
  - Participation in national renewable energy support scheme
- Can cover jurisdictions of generation, transit or consumption
- May be transferred to an end user (for consumption) or another party in the transfer chain (for further trading)
- May have additional economic benefit specific to the producer/or economic value to the supplier or consumer
- Exclusion of other types of energy such as fossil fuel based generation; nuclear energy; renewable energy with harmful effects such as competition of food crops; large scale/older hydroelectric

# 02

## How is this benefit transferred?

# The benefit of renewable energy that is guaranteed is transferred by the originators/ generators via so called **‘certificates’**

**WHY?**

Because technical reality of electricity transmission and distribution mean that renewable energy cannot usually be directly supplied to the buyer

- ie. after injection into the grid, renewable green energy becomes grid average

# The benefit of renewable energy that is guaranteed is transferred by the originators/ generators via so called **‘certificates’**

## HOW?

Transfer of the benefit depends on the nature of the **legal right or instrument** capturing the benefit:

- Sale and transfer: eg. from producer to supplier
- Assignment: eg. already existing PPA
- Expiration or cancellation (redemption) by the buyer/ in the name of the buyer: ex. cancellation on behalf of end consumers by suppliers

# 03

# Where do Guarantees of Origin fit in this picture?

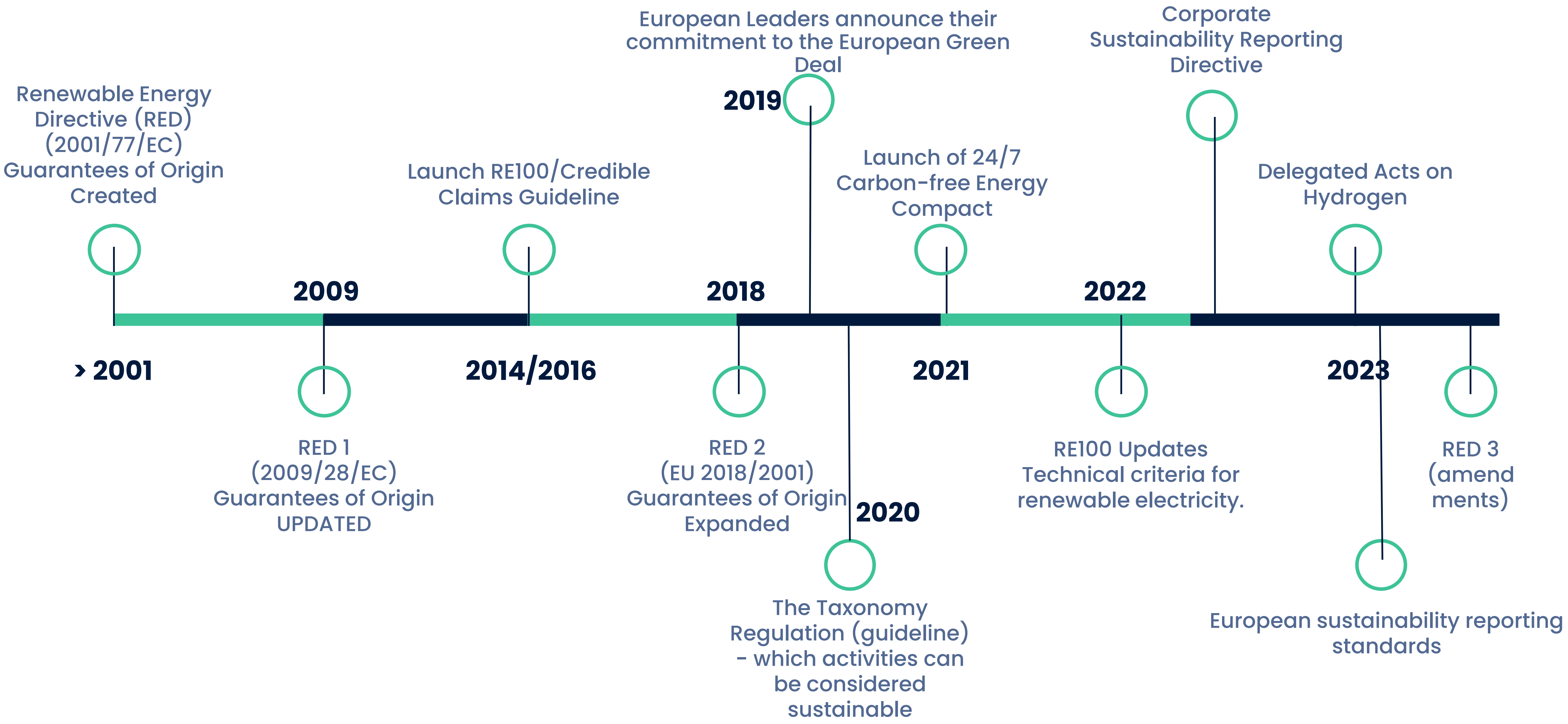
# ‘Certificates’ as evidence of the benefit of the renewable energy

- As such certificates are tradeable and commoditise the benefit of renewable energy.
- Certificates can be referred to as Energy Attribute Certificates (EACs) or Renewable Energy Certificates (RECs); can be mandatory or voluntary.
- **Guarantees of Origin are a type of certificate (EAC / REC) .**
- The GO regime is a voluntary scheme in the EU and EEA member states (similar voluntary schemes are RECs in the USA and I-RECs covering the rest of the world)

- A GO is as defined in the RED art. 2(12); **“an electronic document which has the sole function of providing evidence to a final customer that a given share or quantity of energy was produced from renewable sources”**
- **Since the GO scheme is voluntary - the AIB was formed to provide for a unified European Energy Certificate System (EECS) Rules under which EECS-GOs are traded.**

# 04
# Regulatory landscape of Guarantees of Origin

# Regulatory (voluntary) Landscape



# 05

# Renewable Energy Directive

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## RED
### 2001/77/EC

Introduction of the GOs Establish criteria **enabling producers** to show that the electricity they sell is from renewable sources

## RED 1
### 2009/28/EC

Expands GO market scope to **include heating/cooling** and shifts to
to final customer to prove that a share of the energy produced from the supplier's energy mix is from renewable energy

## RED 2 EU
### 2008/2001

Broadens scope of RED 1 to cover **gas** (including **hydrogen**) and requires **mutual recognition of GOs**

## RED 3

- Issue GOs with less than 1 MWh
- Renewables will have to make up 42.5% (**revised target from 32%)** of the EU's energy consumption by 2030, with the aim of achieving 45%

# 06

# Characteristics of GOs

# In accordance with article 19 RED3:

**1 GO has a standard size of 1 MWh**; unless where the standard size may be divided by a fraction multiple of 1 MWh.

**GOs are issued in response to a request from an producer of energy from renewable sources** and including sources for heating/cooling / biogas / hydrogen

**May be issued in response to a request from producers of non-renewable energy** sources (per MS to be determined)

**No double counting of GOs** ( ie. must be cancelled after use)

GOs valid for transactions 12 months after production, if not cancelled, must expire within 18 months

- And further… the GOs can be sold separately and in parallel to the electricity produced.

# 07
# Some basics on (Corporate) PPAs


**PPAs are power purchase agreements - for the sale and purchase of electricity.**

The PPAs arrange for the

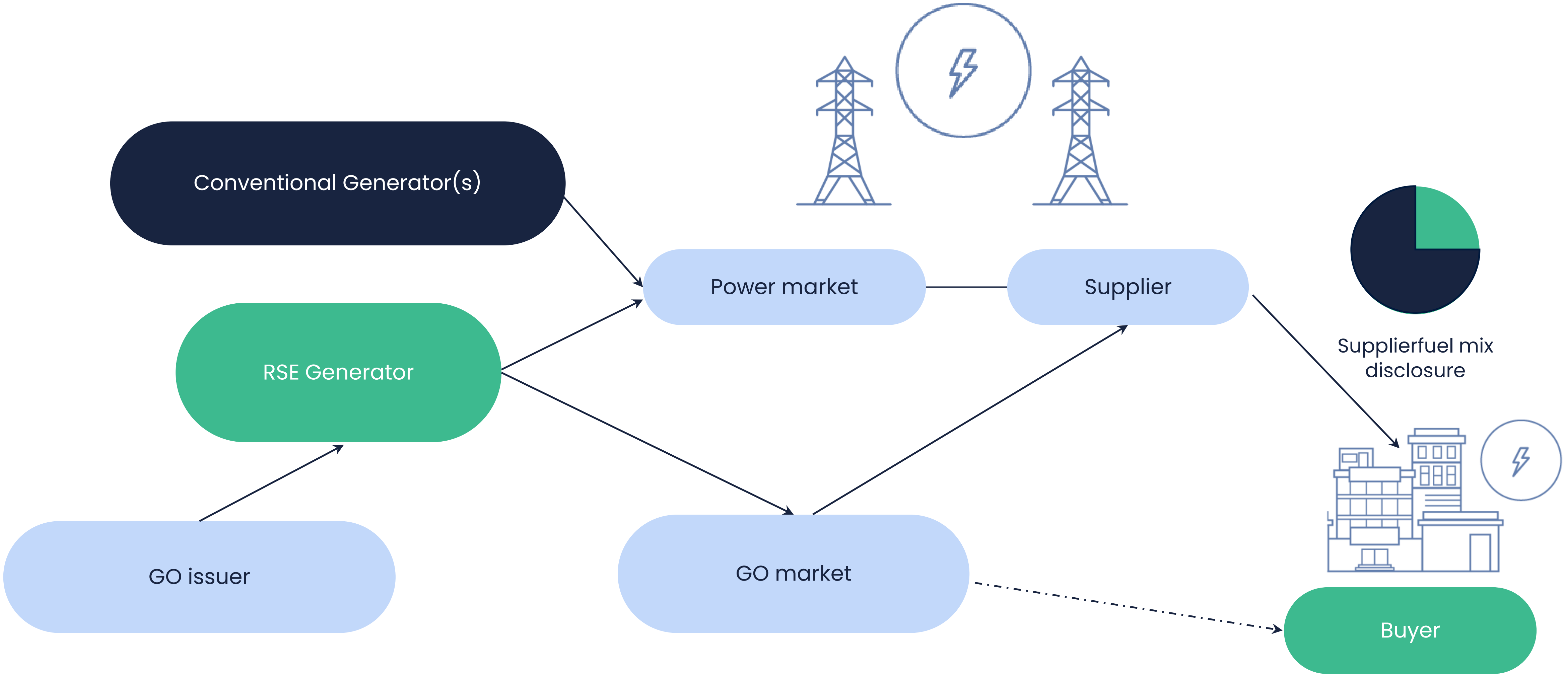
- delivery of electricity;
  how much;
- the price;
  the transfer of ownership and risk;
- payment conditions etc.

A standard PPA is usually between an energy producer and an energy supplier.

The corporate PPA differs in that the the energy is delivered directly to the corporate consumer and not via an energy supplier.

In a corporate PPA for renewable energy - the energy production and delivery can only be evidenced by guarantees of origin.

However, notional delivery of renewable energy because the energy found on the net is mixed with other sources of energy.


Conventional Generator(s)
Power market
Supplier
RSE Generator
Supplierfuel mix disclosure
GO issuer
GO market
Buyer

Let’s keep the conversation going.


Get in touch!

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