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## Piata Financiara

### System for Promoting Green Energy – Present and Prospects

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When acceding to the European Union, Romanian adopted in 2004 the promotion system based on the mandatory share for purchasing green energy. This system lays on the obligation of the green energy suppliers to purchase each year from the green energy producers a certain share (the mandatory share) of the energy amount sold to the final users. The suppliers prove that they have achieved the mandatory shares by an appropriate number of green certificates that must be transmitted to ANRE at the beginning of each year in relation to the previous year. These are issued by the transport operator, Transelectrica, and certify the output of one MWh from renewable resources. While the renewable energy price is freely settled on the market, the green certificates price varies between a minimum value of 24 EUR and a maximum value of 42 EUR. This mechanism provides the producers with a minimum income and attenuates the suppliers cost. They are likely to be fined with high fines (84 EUR per missing certificate). The green certificates may be acquired on the market managed by Opcom or by bilateral agreements. Thus, the producers of energy out of renewable resources obtain income also from the sale of green certificates. The fines imposed by ANRE in relation to the inobservance of the mandatory share are redistributed to the producers of energy out of renewable resources and their certificates that were offered but not sold are bought back in the reference year at a minimum price of 24 EUR.

The origin of the energy obtained from renewable resources is proved by the category of the production entity according to a simple procedure issued by ANRE, which represents a system to be applied only until 2012, pursuant to the laws in force. Therefore, the query occurs for the investors taking into account that the investment is paid off in about ten years. The stability of the regulated prices is not guaranteed in the future by a clear legal provision, as in other States where the investors are enjoying the initial conditions, including the regulated prices, for the entire duration of the investment, and the subsequent legal amendments have no effect whatsoever.

### Financing from Public Funds

The renewable energy has priority upon the taking-over in the transport grid and upon the trade on the market for the following day, under Opcom management. This is exempted only from excise duties, comparing to other countries where other facilities are granted, as a reduced VAT. The suppliers of the captive users are compelled to purchase renewable energy at the regulated price of 132 lei/MWh, as settled at the end of 2005 and confirmed again in 2007. But this price is no longer attractive nowadays as on the market the closing price for the following day reached 190 to 200 lei/MWh.

A major support mean is the accessibility to certain financing schemes from public funds allocated for investments projects in the renewable resources field. The green energy projects may benefit from financing (redeemable or non-redeemable) granted by the Environment Fund for 50% of the eligible costs, up to 20 million lei. Unfortunately, until now just a few projects in the renewable resources field benefited from such amounts due to the lack of information. In September 2007, the Competition Council approved a special scheme of State aid based on financing from the Environment Fund destined to the investments in clean technologies and renewable energy, with a total budget of 345 million lei. Starting in 2008, the project will be eligible for non-redeemable financing from the Structural Funds of the EU,

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through the MEF, as management authority. The common rule is the putting into place of a competitive procedure for the selection of the projects based on public eligibility criteria. In order to succeed it is important to have an appropriate publicity made by the authorities and a thoughtful approach of the investors for information purposes.

### **Windmill Parks, Exceeding the Real Estate Business**

Among the green energy sources, the most attractive seem to be currently the investments in windmill parks, based on two reasons: the high output and the significant wind potential. Some investors targeting this sector assert that the output of a windmill park is higher than the output of a classic real estate investment, due to decreased operational costs. It is not necessary for an investor to purchase the land in order to build a wind-power station, but it is enough to acquire a right of use for the entire duration of the project, which is considerably reducing the costs. Moreover, the owner is stimulated to be part of such projects because it may continue to use the land for agricultural crops. The installed power of the operational projects until now covers only several tens of MWh, while the wind potential that may be exploited in Romania is of 3,600 to 4,200 MW.

### **New Regulation of Green Energy**

Further to the entering into force of the new Energy Law no. 13/2007, the pre-existent ancillary legislation has entered a matching and renovation process. The Government intends to amend the legal framework applicable to the renewable energy field in order to have effect as of 1 January 2008, and to this effect a draft of decision has already been published on MEF's web site. According to this, the current promoting system based on green certificates is maintained and extended after 2012, until when the present regulations in force are applied.

The main coordinates of the new regulation are: the extension of the promoting system of green energy to 15 years for the green field investments; the establishment of the mandatory shares for 2012 – 2020; the increase of the minimum and maximum values of the prices for the green certificates by approximately 20%; the affiliation of Romania to the European market of green certificates starting in 2010 which will allow the Romanian suppliers and producers to export/import green certificates from/in the EU; the special promotion of solar energy by allocating three green certificates for 1 MWh output; the exemption of the green energy producers from the payment of penalties related to inconsistencies in supplying energy; the application of a legal framework for the international trade with origin guarantee (documents issued by ANRE, separately from the green certificates, attesting the origin of the renewable energy). The newly foreseen legal framework even if it does not bring substantial structure changes, it reconfirms the political commitment regarding the promotion of producing energy out of renewable resources.