

SIGNIFICANT CHANGES TO GREEN CERTIFICATES SUPPORT SCHEME IN ROMANIA

Against a backdrop of hotly debated issues, the Romanian Government brought much-needed changes to the green certificates support scheme¹, by way of Government Emergency Ordinance no. 24 of 30 March 2017 (the "**Ordinance**"). The scope of the changes is, primarily, to strike a balance between two diverging interests, those of the producers, and those of the consumers, to encourage, ultimately, an increase in demand for green certificates ("**GC**").

1. NEW MECHANISM FOR CALCULATING MANDATORY E-RES QUOTA

One of the highlights of this Ordinance is its introduction of a new mechanism for calculating the mandatory E-RES quota, which revolves around the static annual quantity of GC. This includes the total quantity of GCs estimated to be issued by 2031, as well as all the GCs postponed from trading between 2013 and 2024, divided by the number of years left until the GC scheme of support expires. The static annual quantity is used, in turn, to determine the quota which must be purchased by suppliers for every MWh of consumed electricity.

The Ordinance provides for a static annual quantity of GC for 2017-2018 of 14,910,140 GCs, and, starting with 2018, the Romanian Energy Regulatory Body ("**ANRE**") must calculate it every two (2) years and inform the Government in this respect.

In addition, starting with 2018, according to the Ordinance, ANRE will establish the mandatory acquisition quota without exceeding the maximum impact of the GC support scheme for the consumers which will, from then on, be set at a level of EUR 11.1/MWh.

2. NEW GC TRADING RULES

Starting with 1 September 2017, the GCs will be traded either on the Centralized Anonymous GC Market, or on the Centralized Market (OPCOM) for electricity produced from renewable sources and supported by the GC scheme. The anonymity behind the centralized market is supposed to stand as a guarantee that objective criteria will be used in joining demand and supply.

Given that, previously, GCs could be traded either on the centralized market or on the bilateral sale-purchase agreements market, new rules had to be instated in relation to the latter: (i) bilateral sale-purchase agreements concluded before 31 March 2017 will remain effective until their expiration date; and (ii) bilateral sale-purchase agreements concluded after 31 March 2017 will only be valid until 31 August 2017. The validity of the existing agreements cannot be extended and the quantity of traded GCs cannot be

¹ Law no. 220/2008 on E-RES

increased, under a penalty of between 1-5% of the global turnover achieved in the last financial year.

Furthermore, it is important to note that the Ordinance prohibits the trading of GCs more than once between producers (as sellers) and suppliers (as purchasers).

In addition, the trading value of GCs, as of 1 April 2017, will be between EUR 29.4/GC and EUR 35/GC, with the minimum and maximum not being subjected to annual indexation.

3. VALIDITY AND ACCOUNTING ISSUES

The validity of GCs issued after 31 March 2017 and that of those postponed from 1 July 2013 are extended by the way of the Ordinance until 2031, and they may be traded until March 2032. This measure is intended to minimize the risk that GCs will expire, given their previous validity of twelve (12) months. Therefore, the only GCs at such risk are those traded prior to 1 April 2017.

As far as accounting issues are concerned, from now on, the moment of accounting registration of the GCs will no longer be that of their issuance, but that of their trading on the market.

It is worth noting that the Ordinance will now undergo a process of review by the Parliament, and that may lead either to its confirmation, with or without amendments, or to its rejection. Furthermore, it is expected that ANRE will prepare secondary legislation in relation to the amendments by 30 September 2017.

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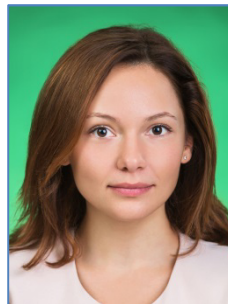
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