



PROJECTS AND ENERGY

Green certificates: Market now active in Portugal

Ten years have passed since the first law was enacted in Portugal providing for a mechanism of issuing and management of **origin guarantees** – certificates which provide evidence to customers that the energy being acquired has a “green origin”, i.e., a certain quota of the energy was generated through renewable power sources (mainly hydric, wind and solar).

What are we talking about

Such guarantees consist of an international mechanism, widely known as “green certificates”, inspired by European legislation, which allow energy final customers to take an informed decision when choosing their suppliers, while enabling market agents to promote their products more easily.

It all started with the Decree-Law no. 141/2010, of 31 December 2010, which laid down the method for calculation of the quotas of energy generated through renewable power sources and addressed the origin guarantee mechanism for the first time. This remains as the main legal basis of the instrument (articles 9 et. seq.), having been changed over time (in 2013, 2015 and 2018).

The opening of such a market in Portugal is a long-awaited step, a move which had already been made by some European peers (e.g., Poland, Belgium and Sweden). It has just been announced that things are set to change in Portugal.

Green light

The “green light” was finally given through the Order no. 53/2020, of 28 February 2020, which was enacted and is in force since 1 March 2020.

These are good news for energy generators and offtakers alike, since up until now suppliers had to seek for such certificates in other European countries, mainly in the neighbour Spanish market.

"The fresh regulation also offers an opportunity for companies to take an important step towards the implementation of social and environmental sustainability policies, which so many companies have been increasingly adopting."

Aside from the economic value entailed in this market, the fresh regulation also offers an opportunity for companies to take an important step towards the implementation of social and environmental sustainability policies, which so many companies have been increasingly adopting.

New regulation in place

The mentioned Order sets out the fees to be charged by the origin certificates issuing entity, a role which is assumed by the electricity system operator REN – Redes Energéticas Nacionais, subject to supervision by ENSE (Entidade Nacional para o Setor Energético). The services to be charged include registration in the platform, issuance, transfer and cancellation of the certificates, as well as supervision and auditing.

Along with the Order, a Procedures Manual for REN, as certificates issuing entity, was approved in February 2020 and is now in force to provide extensive regulation on several items and applies to generators, cogenerators and suppliers. **The Procedures Manual is a key document** in that it includes the rules on registration, issuance, transfer and cancellation of certificates, auditing/monitoring actions, all relevant commercial conditions applying to the services to be provided by the issuing entity (invoicing, payment deadlines, etc.), as well as technical rules on the calculation of the renewable quotas/efficiency of cogeneration plants.

How does it work

The origin guarantees are issued in the form of electronic documents which identifies the source and method of production of a unit of energy. **Three types** of certificates are now in place for different types of energy generation sources, as follows: (i) electricity generated through renewable power sources, (ii) energy for heating and cooling generated through renewable power sources, and (iii) electricity generated in cogeneration plants operating under efficient conditions (as per Decree-Law no. 23/2010 of 25 March 2010).

"The origin guarantees are issued in the form of electronic documents which identifies the source and method of production of a unit of energy."

The origin certificate proves to final customer that 1MWh of energy was generated through renewable power sources – **a certificate is issued per 1 MWh of renewable power** – and includes the following: (i) the generation source and start and end dates; (ii) identification, location, type and installed capacity of the power plant; (iii) any subsidies the plant may benefit from; (iv) commissioning date; (v) issuing date and country and single registry number; (vi) CO2 emissions.

The guarantees are valid for 12 months as of the date of generation of the related MW and in principle guarantees issued in other EU countries are accepted in Portugal. Once issued, the certificates cannot be amended.

All generators requesting the issuance of certificates must (i) provide to the issuing entity all information, access to equipment and metering and counting equipment and records, (ii) authorize the access by regulator technicians to generator facilities, and (iii) cooperate on auditing and monitoring actions of facilities and equipment, as well as to renewable quotas and used fuel. In principle renewable energy producers must acquire and install metering equipment in accordance with certain requirements set out in the procedures manual (above).

The green certificates are traded separately from the power itself.

Registration

○ Of participants

In order to adhere to the system participants (generators, cogenerators and suppliers) will have to register electronically in a platform and enter into an adherence agreement with REN, which sets out rights and obligations of both participants and REN and shall last for one year (subject to extensions). Through such agreement the participants commit to be bound by the legal rules and principles contained in the Procedures Manual.

Import and export of origin certificates within the Pan-European system entails a prior acceptance of principles and rules set forth by the Association of Issuing Bodies (AIB), as entity responsible for European Energy Certificate System (EECS) (Principles and Rules of Operation of the European Energy Certificate System).

The adherence is (again) regulated in the Procedures Manual and a users manual has also been published (both available in REN.pt) with step-by-step rules and clear instructions to allow producers to register in a swift way. In the website the interested companies may also find templates for adherence and registration applications and the agreement itself.

○ Of power plants

Registration of power plants is also processed electronically in the system and occurs simultaneously with registration of the generator as participant. In general only power plants with operation licence granted by the Directorate General for Energy and Geology (DGEG) are eligible for registration. Power plants benefiting from any form of guaranteed remuneration (e.g., some of the successful tenderers under the 2019 solar auction) are not entitled to profit from trade of certificates.

Rules on change of information submitted, suspension and exclusion of power plants from the system are also included in the manual.

For the purposes of issuance of origin guarantees which can be traded only the energy injected into the public grid is accounted.

"For the purposes of issuance of origin guarantees which can be traded only the energy injected into the public grid is accounted."

Costs

For companies to adhere to the guarantees mechanism the fixed payment of **EUR 1,000** is due upon adherence and the issuance of each certificate will cost **EUR 0.037/MWh**.

When does it start

The kick-off for adherence by producers and other participants has been made in March 2020 and REN is now expected to start issuing certificates, with the remaining import and export operations being set to start in Q2 2020.

What to expect

The long-expected market has now been launched and renewable power agents are now equipped with legal and regulatory tools to start requesting and trading their green certificates. One may expect REN to be receiving applications from generators and suppliers very soon.

It remains to be seen how swift will REN be able to implement the new system – by putting together auditing and monitoring teams – and cope with the short deadlines for registration of participants and powers plants, and (likewise) how ready will generators be to install in their facilities the generation and metering equipment as required to allow for a correct qualification of the plant and the energy certification. ■

"One may expect REN to be receiving applications from generators and suppliers very soon."