

## **GUARANTEES OF ORIGIN: A WAY FORWARD FROM THE FALLACIES OF CURRENT SUPPORT SYSTEMS FOR RENEWABLE ELECTRICITY**

Under this title EUROPEX, the association of European energy exchanges, published a position paper<sup>1</sup> on the 16 of May 2014. Almost half a year later a lot has happened. Foremost, two rulings by the European Court of Justice (Ålands Vindkraft and Essent Belgium), that effectively, at least for now, closed the door to a more market-oriented support system for renewable energy sources in electricity (RES-E). Yet, the main conclusions of the paper still stand.

RES-E are (still) at the forefront of European energy policy and are (still and ever more) a force to be reckoned with. Unfortunately, a lasting consequence of the current implementation is a distortion of the electricity market, additional financial burdens for the final consumers, and posing risks to security of supply in the long run.

The mechanism of Guarantees of Origin (GO) is a tool for a market-based solution to current RES-E support dilemmas and consumer empowerment. The evolving GO system could be strengthened by several additional measures.

First, national rules and regulations on GO differ considerably though they are all based on a single European directive, thus fragmenting the market. Further standardization and harmonization is essential.

Second, the credibility of GO might be strengthened both by more closely matching energy generation and use of GO times (i.e. shortening the disclosure period) and by expanding the system to all generation types and thus making it a universal tool for disclosure.

Third, GO-markets are Europe-wide markets requiring the same level of security as EUA, gas or power markets.

There are some other developments that could signal a return to market for RES-E, albeit probably on a longer time scale. The new EU state aid guidelines (for environmental aid) bring some market-friendly approaches, such as more emphasis on selling power through the market and balancing responsibilities. The cooperation mechanisms of the RES Directive could – if they are used more frequently – “trickle down” to cooperation on company levels and to a more market based approach.

EUROPEX believes that RES-E must be integrated into the market. Coupled electricity spot-markets and the progressive development of intra-day markets, clear priorities for EUROPEX, allow for this integration to happen. Connecting markets brings liquidity, stability and efficiency, as demonstrated

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<sup>1</sup> <http://www.europex.org/public/20140516-position-paper-on-go-res.pdf>

by a series of bilateral or multilateral market coupling activities by EUROPEX members that reduced inefficiencies in cross-border capacity utilization.

We (still) believe this is the way forward.

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