

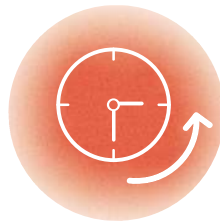
# GUARANTEES OF ORIGIN – A PRICE SIGNAL TO VALUE THE GREEN SOURCE OF ELECTRICITY

## POLICY RECOMMENDATIONS



### STANDARDISE GOs ACROSS EU

Enshrine the use of GOs all across the European Union and harmonise standards to ensure transfer of GOs between registries.



### REDUCE GRANULARITY

Reduce time granularity of GOs of currently one year to one month or smaller. Shorter granularity enables closer connection of GOs with electricity production and consumption period



### ISSUE GOs TO ALL RENEWABLES

Issue GOs to both non-subsidised and subsidised renewables, to allow all renewable electricity generators to benefit from additional market-based revenue streams

### Guarantees of origin (GOs) are an indispensable tool to trace the origin of the electricity

They allow to trace the origin of electricity and remunerate renewable production for its value. This is made possible with the GO mechanism, implemented with the European Directive on Renewable Energies in 2009. A GO is an electronic document that proves to the final customer – be it a residential consumer via its energy supplier, or an electro-intensive consumer such as a factory - that a quantified amount of electricity originates from a specific energy source. Every country has its own state-appointed registry holder, e.g., EEX in France and UBA in Germany.

A megawatt hour produced from a renewable power plant has different values: the value of the electricity (in €/MWh), and the value of the origin of the electricity (in €/guarantee of origin). More and more consumers do not only want to buy electricity but want to know the source of the electricity. This incentivises electricity producers and other stakeholders to further invest in those technologies.

## GOs need an organised market to be traded

GOs can already be traded Over the Counter (OTC) today, meaning either bilaterally between two counterparties knowing each other (e.g., a wind producer and an energy supplier) or via brokers. Thanks to the standards implemented by the Association of Issuing Bodies (AIB), this is made possible not only within national registries but also between registries, allowing transactions across a majority of EU countries. Yet there is still a lack of transparent and robust price references as the market expands year after year, and as the market craves transparency and trading standards. There is the need for an organised market.

EPEX SPOT plans to **launch a pan-European market for GOs in Q2 2022**, subject to successful testing and market readiness. The GOs spot auction will be held once a month and operated by EPEX SPOT. Clearing and settlement will happen through the Clearing house ECC, and EEX will ensure delivery through its GO registry.

The market design of this new pan-European spot auction foresees an anonymous multilateral auction for GOs from renewable production in selected countries that are part of the European Energy Certificate System. Buyers and sellers will access both specific and generic GOs within one pay-as-clear auction. Indices will be published following each auction, providing transparent price signals to the market. **This multi-dimensional market will support the market liquidity while providing transparency and robust price signals.**

Advantages of exchange-based trading of GOs:

- Access to an **anonymous** market
- Clear and transparent **market rules**
- **Standardised** products
- **Level playing field** between market participants
- Financial **security** and physical **delivery** of transactions through Clearing House
- Calculation and publication of fair and transparent **price references**

An organised marketplace for GOs promotes the further development of renewables. GOs provide additional revenues for renewable plant operators. In addition, an organised GO market with transparent price signals contributes to build trust of consumers in electricity from renewable sources and would thus support demand.

## A reliable and harmonised regulatory framework is key

The upcoming GO auction will provide more trust, standardisation and transparency to the market and therefore support its development. A regulatory framework that further strengthens the role of GOs is key to drive forward the energy transition. Obstacles for trading GOs cross-border within the EU shall be removed. GO demand needs to be supported, e.g. by enlargening the applicability of GOs and for example allow system operators to use GOs for grid losses.

In the future, **the time granularity of GOs of currently one year shall be further reduced** to one month or even smaller. Time granularity of a GO means the time between the production of the electricity and the expiration of the GO for the electricity produced. Shorter time granularity, e.g. one week, one day, or one hour, enables further connection between GOs with short-term electricity production and consumption, until direct matching when possible.

GOs shall be **issued to both non-subsidised and subsidised renewables**, as suggested by the European Commission in its draft revision of the Renewable Energy Directive. This will allow all renewable electricity generators to benefit from additional market-based revenue streams, support the use of Power Purchase Agreements (PPAs) and eliminate the need of subsidies for mature renewable technologies.