



Revisions of the regulation on Guarantees of Origin to foster the renewable energy market

Brussels, 29 August 2022

Dear Members of the European Parliament,

We write to propose to you a new solution on Guarantees of Origin (GOs) for article 19.2 in the Renewable Energy Directive that the European Parliament can adopt in the upcoming trilogues on the Directive. **A very positive development is that the Parliament is supporting the option for consumers to request more granular (hourly) GOs**, which are essential to develop an energy system that runs 24/7 on renewables, particularly by incentivising storage and flexibility.¹ However, we are concerned about the position that **the ITRE Committee is taking regarding non-issuance of GOs for renewable energy projects that benefit from a support scheme. If adopted, this policy will inhibit the growth of the voluntary renewable energy market, which is key to meeting EU climate and energy objectives.**

The RE-Source Platform, Europe's leading coalition for renewable energy sourcing, has been advocating for years to modernise the current GO framework. The corporate renewable energy procurement market is expanding rapidly across Europe, with nearly 8 GW of renewable energy capacity contracted in 2021. For wind energy alone, 10% of new wind farm capacity financed in 2021 was supported by a corporate Power Purchase Agreement (PPA). **PPAs are key to enhancing Europe's energy security as underlined in Europe's new energy strategy – REPowerEU.**

One of the major barriers to the development of the PPA market in Europe is the availability of new projects. Governments must prioritise accelerating permitting procedures and removing grid and skilled labour bottlenecks. There is however another barrier that prevents PPAs from becoming even more popular: the lack of issuance of GOs for all renewable electricity generation. **These kinds of energy certificates are essential for PPAs** because they provide traceability of generated electricity for the offtaker. They prove the link between electricity production and consumption and therefore underpin such long-term energy contracts. From a system perspective, such "bundled" GOs are the only way of truly ensuring renewable energy claims. In other words, **GOs are the cornerstone of a trusted and transparent renewable electricity market in the EU.**

Without GOs, there can be no PPAs. And without the PPA market growing much faster than it currently does, **the EU will not be able to achieve the 2030 greenhouse gas reduction targets.**

The European Commission initially proposed an amendment to article 19.2 in RED III that stated that Guarantees of Origin should be issued for all renewable energy generated (at the request of the producer), including for projects that fall under a support scheme.

¹ The ITRE report strikes a good balance by introducing the possibility to issue granular GOs, while still not excluding an annual temporal correlation, which constitutes an enabler for consumers to sign renewable PPAs under current circumstances. While we support amending legislation to further enable voluntary initiatives for 24/7 renewable procurement we do not support any initiative to mandate 24/7 matching.



Both in the recent draft ITRE report of MEP Pieper and in the [General Approach](#) of the Council on RED III (27 June 2022), **this forward-looking proposal is rejected: Member States want to keep full control over their own GO market.** The prime reason is that Member States want to retain the ability to withhold GOs from renewable projects which receive state support to avoid presumed double compensation.

At the current pace, the EU is only deploying half of the renewable energy needed to remain on track for the goals of the European Green Deal and the REPowerEU Action Plan. If Europe wants to benefit from key financial instruments such as Power Purchase Agreements, it will need to take away any restrictions on energy certificates.

To alleviate remaining concerns on double compensation and interference in national GO auction systems (existing in seven EU Member States), the RE-Source Platform would like to suggest a new solution. **In RED III, a division should be made between existing and new projects.** For projects that fall under existing support schemes, nothing will change and Member States will remain in charge of the certification competences. But for new projects, including redevelopment of end-of-life installations that benefited from feed-in tariffs, GOs should be issued.

This solution has the following benefits:

- **Member States avoid presumed double compensation** for supported renewable energy. For new projects, the economic value of issued GOs can be incorporated in the auction conditions.
- Ensuring that all renewable electricity receives GOs will **encourage greater private purchasing of renewable energy** via PPAs, since offtakers will be confident that they can credibly claim ownership of the renewable electricity.
- **More PPAs will be signed**, resulting in faster deployment of renewable energy and the development of a more liquid PPA market.
- An expansion and modernisation of the GO market, coupled with a significant increase in storage, will **accelerate the growth of the 24/7 renewable energy system.**

We therefore call upon the EU legislators to amend the Renewable Energy Directive in such a way that all new renewable energy projects can fully benefit from the GO system. Attached is our proposed draft amendment on the ITRE report to modernise the GO framework, as well as an annex on the benefits of corporate sourcing of renewable energy.

Kind regards,

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PROPOSED AMENDMENT on RED III article 19.2, first subparagraph

To that end, Member States shall ensure that a guarantee of origin is issued in response to a request from a producer of renewable energy sources. **Upon entry into force of this amending directive, Member States may no longer withhold guarantees of origin for projects that fall under a support scheme, in order to stimulate the power purchase agreement market. As an exception, for renewable energy projects that receive state support and were in operation before this amending directive came into force, the original provisions of Article 19.2 would apply.**



Annex

Unlocking Corporate Power Purchase Agreements thanks to traceability

Corporate renewable power purchase agreements (CPPAs) provide renewable energy developers with meaningful revenue certainty needed to finance new projects.

In some countries, such as the Nordics, CPPAs are the only form of revenue support available to developers. Although CPPAs alone will not support the massive renewable energy build-out Europe needs to meet its climate and energy targets, CPPAs are a crucial tool to complement market-based support mechanisms, accelerating renewables deployment in a cost-effective manner.

The European Commission has clearly identified a central role for CPPAs in achieving Green Deal objectives.

The Commission's Renewable Energy Directive (RED) proposal strengthens the EU framework for CPPAs, clearly identifying the need for Member States to remove barriers and establish frameworks to facilitate their uptake.

Corporate demand for renewable electricity has increased dramatically in recent years. In 2021, nearly 8 GW of renewable capacity have been contracted through CPPAs in Europe – of the total 22 GW contracted to date.

Despite the huge increase in interest in CPPAs, most Member States have not removed barriers to CPPAs as required by RED II Article 15.8.

CPPAs must be facilitated, not only to provide developers flexibility to finance projects in the most cost-efficient manner, but also to allow corporate buyers to play their part in delivering Europe's climate ambition.

Guarantees of Origin (GOs) are imperative for corporate buyers to demonstrate the use of renewable electricity.

CPPAs cannot be signed without the issuance and cancellation of GOs, to prove the link between renewable electricity production and consumption. Allowing renewable developers to combine public support mechanisms and CPPAs would ensure projects are developed in the most efficient way possible, reducing costs for both developers and society. CPPAs would be enabled to complement State Aid for renewable projects, reducing dependence on public subsidies, and accelerating renewables build-out.

Further, corporate buyers would be enabled to play a more active role in the energy transition, meeting their own decarbonisation objectives and driving demand for more renewables.

Finally, by allowing Member States to cancel GOs on behalf of renewable generators, or sell them in central auctions, for those MWh which are supported by financial aid, it can be assured that corporates are not benefiting from taxpayer-backed renewable electricity and developers are not being double compensated.