

FACT SHEET

THE SYSTEM OF INCENTIVES FOR RENEWABLE ENERGY IN ROMANIA

The subject matter of this *Fact Sheet* is to provide the readers with a general overview relating to the system of the state incentives as well as the grid system for the renewable energy (especially solar) sources and the photovoltaic market in Romania.

1. INTRODUCTION

- 1.1 Romania belongs among those countries that have been notably supporting the development of the market with the renewable energies. Generally, all renewable energy production resources and systems (the “RES”) are promoted (only some inefficient system types are ineligible for support).
- 1.2 The electricity market is liberalised and the volume of investments in RES is increasing. Current share of the renewable energy corresponds approximately to 12% of total electricity production in Romania and is expected to grow (as proclaimed by EU the 20% share is the goal in 2020).

There are huge expectations regarding the amount of MW to be newly installed and the development of many projects has already begun. However, only a percentage of the expected projects shall be realistically completed. Nevertheless, it is a matter of fact that as of January 2012 there have been 51 solar projects in Romania being provided with grid connection contracts, in total capacity of about 210.3 MW and it is expected this volume to grow. As of 2011, there is an installed capacity of 982 MW of wind power in Romania, further more than 1,5 GW under construction. Romania has also a considerable energetic potential of biomass - 2 biomass projects of planned installed capacity of 9 MW and 8 MW have been granted permission for connection to the electrical grid in November 2011.

- 1.3 The current market with the renewable energy electricity as well as the conditions for developing the RES project has been established by the Act No. 220/2008 Coll (the “Law”), as amended, and recently changed by the Ordinance No. 88/2011.

Besides that, the Order No. 714/2010 Coll., approving the subsidy guidelines followed by further legal and administrative changes regarding functioning of green energy market were adopted and more of them are presently in the elaboration process conducted by ANRE - the Romanian Energy Regulatory Authority (the “ANRE”).

2. BASIC PRINCIPLES OF THE INCENTIVE SYSTEM

- 2.1 Unlike most of the countries where the feed-in-tariff is the main part of the supporting scheme, Romania adopted so called „*Quota system*“ combining the system of quota obligation together with the tradable Green Certificates (the “**CG**”).
- 2.2 The Quota system is based on the setting of a fixed quota (the “**Quota**”) of electricity production from renewable energy sources by ANRE and the subsequent electricity suppliers’ obligation to present a certain number of GCs. Electricity suppliers (as ENEL, CEZ) may either purchase GCs from energy producers or they acquire them on base of own produces from renewable energy sources.
- 2.3 The Quota is calculated on annual basis by ANRE as of 1st of March of the relevant calendar year and is the percentage of electricity to be delivered from renewable energy sources. In 2012 12% of RES-produces must be achieved, 14% in 2013 and 15% in 2014.
- 2.4 In order to take part in the Quota system, the subsidy must receive a special accreditation by ANRE. A guarantee-of-origin certificate issued by ANRE needs also to be received.
- 2.5 Every year by 15th of April ANRE checks whether the electricity suppliers and producers met their quotas in the last period and may adjust the renewable electricity quotas applicable in the year before to the total capacity of renewable energy systems actually installed and to the electricity consumed.
- 2.6 The incentive system applies, irrespective of the used RES-technology, for period of **15 years after commissioning** of new RES. Solar energy systems that have already been used for electricity production before the Law came into effect, become ineligible for the incentives after 7 years.

3. GC SYSTEM

- 3.1 The GCs are electronic documents with an unique numeric code, containing information regarding the RES energy producer, the type of RES and the issuance date.
- 3.2 For each MWh produced from RES a particular number of GCs is to be issued. The number of green certificates issued depends on the technology used as well as the period for which the respective RES is supported. Please, see the table below.

Renewable Energy	Central Unit/ Group Unit Type	Green Certificate/MWh	Support Period (years)
Hydro Energy (used in power plants with in-	New (commissioned starting with January 1 st , 2004)	3 GC	15

stalled power < 10 MW)	Refurbished/modernized	2 GC	10
	Commissioned before January 1 st and without to be refurbished	0,5 GC	3
Wind Energy	New ones	2 GC till 2017	15
		1 GC starting with 2018	
	Reused	3 GC till 2017	7
		2 GC starting with 2018	
Biomass (no matter what kind of aggregation form)	new ones – from all the types of biological wastes	2 GC	15
	new ones – energy crops	3 GC	15
	High efficiency cogeneration (1 GC supplementary)	1 GC supplementary	15
Landfill gas and mud gas fermentation from waste water installations	new ones	1 GC	15
Geothermal Energy	new ones	2 GC	15
Solar Energy	new ones	6 GC	15

3.3 The GCs are issued by the transmission grid operator Transelectrica to the RES electricity producers (“**RES producer**”). They might be either traded on the below named trading platforms or they can be purchased by the electricity suppliers in order to fulfill their mandatory Quotas.

3.4 There is no fixed price for GC but there is a value range set. According to the law during the years 2008-2025 the transaction value of one GC will be **at least 27 Euros** and **at maximum 55 Euros**. The certificate price shall not differ according to the technology applied.

3.5 If a supplier (or a producer) fails to meet the annual quota, an additional obligation to purchase the missing certificates for a higher price of 110 Euros each is set out by the law as the penalty. Such price is annually adjusted by ANRE on the basis of the changes in the Romanian consumer price index.

4. TRADING THE GCs

4.1 The GCs may be traded on two different trading platforms:

- a) on the centralized GCs market (the “**Centralized Market**”); or
- b) on the GCs bilateral contracts market (the “**Bilateral Contracts Market**”),

both regulated and supervised by OPCOM - the Romanian electricity market operator.

4.2 The Centralized Market creates a centralized, standardized trading platform meant to develop the GCs market as a competitive, transparent and non-discriminatory trading environment. On the Centralized Market the certificates are traded at a fixed price which is the closing price of the GC Centralized Market determined on the basis of the respective offers to buy and to sell submitted on the Centralized Market in respective month.

4.3 The Bilateral Contracts Market represents the sum of all executed bilateral contracts and allows the parties to agree, within the regulatory framework of a standard sale and purchase agreement, on the terms and conditions of the sale and purchase of GCs.

In the period from January till April 2012 the volume of 452.659 GCs were allocated on Bilateral Contracts Market, as communicated by OPCOM.

4.4 The GC can be subject to only one transaction and can be traded within 16 months after its issuance.

4.5 The GCs can be traded not only on the internal market in Romania as described above but also on the European GC-market. This trading market is only open for the Romanian GCs if the national targets regarding the volume of the electricity produced from RES set forth by law are met which is not the case for the time being.

4.6 They might be traded only by persons registered with OPCOM and the receivable rights attached to the GCs may be pledged by their holders.

5. CONNECTION TO THE GRID – LEGAL CLAIM

5.1 There is no priority claim for grid connection in the Romanian legislation for renewable energy sources (art. 25 par. 1 Law No. 220/2008 as referred to in art. 1 par. 20 Emergency Regulation No. 88/2011).

5.2 The grid operator may deny use of the grid only in exceptional cases and according to the technical and commercial regulations made by the regulatory authority or if the security of the national energy system is at risk.

6. CONNECTION TO THE GRID – PROCESS FLOW

- 6.1 The RES producer has to apply the grid operator for connection. The grid operator shall inform the applicant on the grid connection process within 15 days upon receipt of the RES producer's written application. This information should include the required documents, detailed information on feasible connection points, the procedural steps of connection, the estimated time for connection, and the applicable charges for the issuance of technical authorisation and for the connection works.
- 6.2 The RES producers with a capacity of up to 50 MW shall apply for connection to the grid operator, while the RES producers whose capacity exceeds 50 MW shall apply for connection to the transmission grid operator.
- 6.3 The process of obtaining the grid connection continues with the steps and within the statutory deadlines as follows:
- a) The feasibility study shall be completed within three (3) months in case of systems to be connected to the transmission grid (from 110kV) and within one (1) month in case of systems to be connected to the distribution grid.
 - b) The grid operator shall send the invoice for technical authorisation to the RES producer within seven (7) days from the date on which the receipt of the producer's application for technical authorisation was filed.
 - c) After all required documents have been submitted, technical authorisation shall be issued within thirty (30) days. Where technical authorisation is based on a feasibility study, this period is ten (10) days.
 - d) Once the technical authorisation has been granted, the RES producer shall apply to the grid operator for conclusion of a connection agreement and submit the required documents. After the grid user has submitted all documents, the agreement may be concluded.
 - e) After the agreement has been concluded, the grid operator is obliged to find solutions to all tasks related to the connection of the system and implement them in accordance with the terms set out in the agreement.
 - f) The power plant is commissioned as of obtaining the establishing authorization and the production license from ANRE.
- 6.4 The costs for connecting a system to the grid ("**Grid connection fee**") are to be paid by the energy producer only in case of concluding of the grid connection contract. The costs for the issuance of the technical authorization which defines the technical details of network connection are included in the grid connection fee. The costs for drawing up the feasibility study are separately charged to the energy producer.
- 6.5 The grid connection fee will be established by the grid operator on base of the technical authorisation, which comprises a cost offer for the grid connection fee. On basis of this price

offer the grid connection contract shall be concluded. In general, the costs for new works incurring with the grid access are to be charged to the party applying for the grid access. The costs relating to technical adjustment and network issues are regularly borne by the grid operator.

7. GRID CONNECTION AGREEMENT

7.1 The Grid connection agreement is concluded between the RES producer and the grid operator. The applicant requests the conclusion of the Grid connection agreement after the technical approval for the connection by grid operator. The technical connection approval shall be issued within maximum 30 days as of the request and contains specific information out of which the most important are the approved power of the plant, description of the connection solution, certain specific conditions to be fulfilled by the applicant, monitoring requirements, the connection tariff (depending on the complexity of the connection solution) and the duration of the technical connection approval.

7.2 As soon as this request has been processed and the grid connection fee was paid, the contract can be completed. The investor (RES producer) is granted the right to choose the constructor to perform the connection works, however, within the limits of the grid connection fee. The connection works remain most of the time in the property of the grid operator despite the payment of the grid connection fee by the investor.

8. POWER PURCHASE AGREEMENT

8.1 The Power purchase agreement may be concluded between the RES producer and any eligible consumer after commissioning of RES provided that they obtain from ANRE an energy supply license. However, the energy producers are not usually tempted to limit their sale options by such agreements, unless the set off mechanisms is more favorable or predictable than the GCs' price on the GCs' market.

8.2 Concerning the conclusion of Power purchase agreement in view of obtaining (re-)financing for the project, there is no unitary practice. Generally, a number of banks require the conclusion of such agreement, having a term of at least 5 years.

9. KEY PLAYERS

Following authorities and entities are of a key role on the RES-market in Romania:

- a) **ANRE** - is a public body having the competence to create and implement the appropriate regulatory system to ensure the proper functioning of the electricity, heat and gas markets, in terms of efficiency, competition, transparency and consumer protection.

- b) **TRANSELECTRICA SA** - is the Romanian Transmission and System Operator which plays a key role in the Romanian electricity market. It manages and operates the electricity transmission system and provides the electricity exchanges between the central and eastern European countries as an ENTSO-E member (European Network of Transmission and System Operators for Electricity).
- c) **OPCOM** – is the Romanian electricity market administrator, providing the orderly, viable and efficient framework for the commercial trades' deployment on the wholesale electricity market.
- d) Romanian **grid operators** are:
- FDFEE "Electrica Muntenia Nord" SA (state owned);
 - FDFEE "Electrica Transilvania Sud" SA (state owned);
 - FDFEE "Electrica Transilvania Nord" SA (state owned);
 - E.ON Moldova SA;
 - Enel Distributie SA;
 - CEZ "Electrica Oltenia" SA.
- e) One of the most significant investors in RES in Romania is the Czech utility **ČEZ**. The power output of ČEZ was 239.373 MW in the first quarter of this year, receiving a total of 474.080 green certificates, according to data from Transelectrica. In 2012 ČEZ also plans to finalize a 600 MW wind park in Dobrogea area.
- f) Other investors are such as Enel, Lukoil, RWE Power, Verbund-Austrian Renewable Power or Iberdrola Renovables România, which also announced the start of construction of wind farms in Dobrogea area.

We hope you find the above-mentioned summary regarding the system of incentives for renewable energy in Bulgaria useful. Please note that the Fact Sheet represents solely the basic information. Should you have any further questions, please let us know and contact us fully at your convenience.

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