



Analysis of the Resolution “On the introduction of guarantees of origin of electricity produced from renewable energy sources”

by the Energy Community Secretariat

June, 2024

PURPOSE STATEMENT

Assessment of the Procedure for issuance, circulation, and cancellation of guarantees of origin of electrical energy produced from renewable energy source adopted by the Resolution of the Cabinet of Ministers of Ukraine No. 227 “On the introduction of guarantees of origin of electricity produced from renewable energy sources” of 27 February 2024.

TABLE OF CONTENT

Introduction	1
Background	1
Impact on market and stakeholders	3
Compliance assessment	3
Conclusions and recommendations	4

Energy Community Secretariat

Am Hof 4, 1010 Vienna, Austria

Tel: + 431 535 2222

Fax: + 431 535 2222 11

Web: www.energy-community.org

Twitter: https://twitter.com/ener_community

LinkedIn: <https://www.linkedin.com/company/energy-community/>



Ukraine Energy Market Observatory

Assessment 9/24

Analysis of the Resolution “On the introduction of guarantees of origin of electricity produced from renewable energy sources”

Introduction

In July 2023 the Green Transformation Law¹ entered into force. It's compliance with the Energy Community acquis was assessed by the Secretariat in the Assessment Note 8/2024². Together with other novelties regarding active customers, self-consumption and support schemes for electricity from renewable sources, the Green Transformation Law introduced the sound legal basis for implementing a Guarantees of Origin of electricity produced from renewable energy sources (hereinafter, GO). According to Article 9⁷ of the Law “On Alternative Energy Sources”³, as amended by the Green Transformation Law, the authorized body for the issuance, circulation and cancelation of GO on the territory of Ukraine is the National Energy and Utilities Regulatory Commission (hereinafter, NEURC). The Procedure for issuance, circulation and repayment of GO is defined by the Cabinet of Ministers of Ukraine.

On 27 February 2024 the Cabinet of Ministers of Ukraine adopted the Resolution No.227 “On the introduction of guarantees of origin of electricity produced from renewable energy sources”⁴ by which approved the Procedure for issuance, circulation and repayment of guarantees of origin of electrical energy produced from renewable energy source (hereinafter, Procedure on GOs) and the Procedure for determining the environmental value of electric energy produced from renewable energy sources. The present evaluation offers a compliance assessment of the Procedure on GOs with the Energy Community acquis.⁵

Background

The Resolution and Procedure on GOs seeks to implement a reliable system for issuing, transferring, and cancelling GOs for electricity produced from renewable sources. This includes the activation of an electronic registry, compliant with the specifications outlined in the Directive (EU) 2018/2001 of 11 December 2018 on the promotion of the use of energy from renewable sources⁶ (hereinafter “REDII”). Also, the Procedure on GOs defines the mechanisms for:

- functioning of the registry of GO;

¹ Law of Ukraine No 3220-IX dated 30.06.2023 “On making changes to some laws of Ukraine regarding restoration and “green” transformation of the power system of Ukraine”

² https://www.energy-community.org/dam/jcr:981ae7ce-92a5-4526-bdf4-13ed3e4b6ae4/Note_08_2024.pdf

³ Law of Ukraine No 555-IV dated 20.02.2003, <https://zakon.rada.gov.ua/laws/show/555-15#Text>

⁴ <https://zakon.rada.gov.ua/laws/show/227-2024-%D0%BF#Text>

⁵ Since documents were submitted in Ukrainian only, Google Translate was used; hence any misunderstanding due to translation issues cannot be excluded

⁶ https://www.energy-community.org/dam/jcr:78fd6b72-436f-45e7-aef5-5ade1d53f92a/DIRECTIVE_EU20182001.pdf

- registration of an electrical installation or construction phase of power station, generating plant of the consumer (including active consumer) in order to obtain GO;
- issuance of GO;
- circulation of GO;
- cancellation of GO;
- an inspection of a power facility (including the generating unit of consumers), which confirms production of electricity from renewable energy sources.

Furthermore, it offers an in-depth overview of the registry's operations, delineates the responsibilities of the administrator, and outlines the rights and obligations of users.

RES producers selling the electricity to the Guaranteed Buyer under the support scheme (at a "green" tariff or using the market premium) Universal Service Suppliers (USS) and the Guaranteed Buyer are obliged to register at the registry of GO. For all other persons the registration is voluntary. Active customers selling electricity to USS at "green tariff" shall not register at the registry of GO. USSs obtain relevant GOs into ownership based on volumes of electricity produced from renewable energy sources by the total capacity of generating units of households with installed capacity not exceeding 50 kW, which are sold at the "green" tariff.

The GO is issued for the amount of electricity (per 1MWh) that was produced for own consumption or injected into the grid during the operational period by a separate generating unit or an aggregated generating plant.

The GO is formed automatically based only on certified commercial metering data entered by the Commercial Metering Administrator (the role performed by the TSO, *Ukrenergo*). The GO is transferable until canceled.

The circulation of the GO is carried out within 12 calendar months following the month in which the relevant volume of electricity from RES was produced. If not cancelled during the 18 months, the GO is annulled.

The GO is not issued for electricity produced by hydro pumped storage power plants and for electricity injected to the grid by energy storages, unless the energy storage is charged with electricity produced from RES.

The holder of the GO has the right to cancel the GO, in particular, for the purpose of:

- 1) confirmation that goods, works or services, produced/performed/provided in whole or in part, were produced/ were performed/provided using the electricity produced from RES;
- 2) confirmation that electricity that was produced and consumed for own needs is produced from RES;
- 3) disclosure of information to the consumer on the share of energy from renewable sources in an energy supplier's energy mix purchased by electricity suppliers and/or produced by their own generators' installations.

The NEURC is authorized to inspect the installations registered at the registry of GO, including installations which are owned by consumers.

Impact on market and stakeholders

Even though the purpose of using GOs has been restricted to disclosure, aiming to demonstrate to the end consumer that a specific portion of electricity originates from renewable sources, there are various additional externalities.

GOs can serve as an additional tool to support RES development and financial liquidity of the renewable sector in Ukraine. This is of crucial importance in the current severe situation with late payments to RES producers, which was worsened due to the Russian invasion of Ukraine. Together with the more market-oriented support scheme based on market premium, tradable GOs can directly contribute to the revenue of RES producers and strengthen their solvency. The design of GO scheme, including GO registry, compliant with the CEN – EN 16325, can ensure the further integration of national system with the EU market of GOs subject to mutual recognition.

Moreover, GOs can significantly contribute to increasing demand for Power Purchase Agreements (PPAs) for renewable electricity, especially from the corporate sector, which often seeks to fulfill all its energy requirements from renewable sources. In this regard, GOs play a critical role, particularly concerning the implementation of EU Regulation 2023/956, which establishes a carbon border adjustment mechanism (CBAM). They are indispensable for verifying the renewable nature of electricity obtained through PPAs, a prerequisite for applying actual embedded emissions in imported electricity under CBAM. Additionally, GOs can be leveraged to showcase the use of renewable energy in the production cycle of goods, thus facilitating emission reduction efforts.

Compliance assessment

The Resolution lays a solid foundation for implementing the system of guarantees of origin for electricity, particularly in establishing the electronic registry. It incorporates certain REDII provisions, detailing the content of GO as outlined in Article 19(7). Although it doesn't explicitly state the necessity for the registry to adhere to the CEN - EN 16325 standard, it does mandate the possibility to facilitate obtaining full membership in the Association of Issuing Bodies (AIB), suggesting automatic alignment with the CEN - EN 16325 standard⁷.

To support Energy Community Contracting Parties (hereinafter “CPs”) in implementing Article 19 of the REDII, the Energy Community Secretariat initiated a regional project in January 2022. As a result, electronic registries for guarantees of origin have been created for Albania, two entities in Bosnia and Herzegovina, Georgia, Kosovo*, North Macedonia, Moldova, Montenegro and Ukraine.

The Resolution No. 227 established the foundation for signing of relevant agreement in Ukraine. In March 2024, the NEURC, functioning as the administrator of the electricity GO register, signed an agreement with service provider Grexel with the aim of making the electronic registry, compliant with the CEN - EN 16325 standard, operational in the forthcoming months. On May 30, 2024, NEURC acquired the official status of a member of the AIB⁸.

⁷ In Ukraine the standard entered into force on January 1, 2024

⁸ <https://www.nerc.gov.ua/news/nkrekp-oficijno-stala-chlenom-asociaciyi-organiv-emitentiv-garantij-pohodzhennya>

Conclusions and recommendations

The Resolution No.227 constitutes an important step towards ensuring compliance with REDII and the establishment of an electronic registry for guarantees of origin for electricity. In developing it further, the Secretariat:

- Recommends clearly imposing the requirement for the registry to comply with the CEN - EN 16325 standard, as outlined in Article 19(6) of REDII.
- Recommends appointing a control body to supervise the implementation process and meeting all other criteria to ensure the recognition of electricity guarantees of origin within the EU Member States.
- Since the Green Transformation Law introduces the NEURC as the authority responsible for guarantees of origin for renewable electricity and the State Agency on Energy Efficiency and Energy Saving (SAEE) for renewable gases, it is crucial to coordinate the activities of institutions and explore the possibility of utilizing an unified electronic registry. This alignment would enhance transparency and streamline the process for various market participants seeking GOs for different energy carriers.