

ANNUAL REPORT 2005

RECS INTERNATIONAL



A WORD FROM THE PRESIDENT

Dear reader of the RECS International Annual Report 2005,

RECS International is now coming out of a pioneering phase. An infrastructure for a pan-European market for renewables facilitated by certificates is in place. RECS International has entered a stage in which market players show full recognition and acknowledgement of the RECS certificates. The market has grown and the Association of Issuing Bodies has provided a system promoting the use of standardised certificates.



Many new companies have joined RECS International – and continue to join. This has led to an increasing amount of RECS certificates traded internationally, which proves that there is a great demand for a RECS-platform facilitating the trade of green certificates throughout Europe.

But of course, there is still much work to do. RECS International continues to promote the use of renewable energy by making its environmental benefits tradable separately from the physical energy flow and under internationally harmonised rules.

First of all we must continue the work encouraging producers and customers to use the European standard. We must also convince national governments and regulators to accept and support the use of the standard for renewable energy trading. Hereby the reliability of trading renewables will increase and customers will become more confident in the use of renewables. The security for customers buying renewables, the reliability of different labels and suppliers' electricity disclosure must be increased. There is only one way to go. A standardised certificate within Europe must be used for all types of trading of renewables. A very important step is the acceptance of the use of the standardised Guarantee of Origin. We as market actors can help in using the system by showing that it works and that a pan-European market is both desirable and possible.

*Claes Hedenström
President RECS International*

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INTRODUCTION

In 2005 some important improvements have taken place. The standardised GoO has been implemented by the AIB, a large amount of certificates have been traded and many new companies have joined RECS International.

On several occasions RECS International has presented their ideas of creating a pan-European market for renewable energy. We observe some support for our ideas, but see as well that we have to continue to explain our views to governments and the European Commission.

This annual report presents the status and activities of RECS International in 2005 by focusing on the following questions:

What is it that RECS International wants?

Why do we want this?

What is the state of the art?

And what have we achieved so far?

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1 STANDARDISED GoO

RECS International is in favour of standardised guarantees of origin (GoO) within the EU. RECS International considers standardised guarantees of origins as an essential condition for a transparent pan-European market for renewable energy.

What is a guarantee of origin? Renewable electricity can only be identified at the power station itself and not when it is fed in the grid (as all electrons are alike). The guarantee of origin certifies the production of renewable electricity. Especially when a cross border situation occurs, a standardised proof of the origin of the electricity is needed. In case this proof is not standardised the traded electricity can be sold as renewable energy more than once and double counting and double selling might occur.

At the moment a standard for the guarantee of origin is available. The Association of Issuing Bodies (AIB) published a standard for the guarantee of origin. Associated Issuing Bodies are able to make use of this standard. Up to now 5 national issuing bodies responsible for the governance of the guarantee of origin are making use of this standard.

In 2005 the standard for the guarantee of origin was published by the AIB for the first time. The initiative was taken by the AIB and was strongly supported by RECS International. But RECS International believes that 5 countries with a standardised guarantee of origin are not enough. In close cooperation with the AIB, RECS International has promoted and continues to promote the standard to other governments.

An Evaluation Report and a Position Paper on the use of the guarantee of origin have been written in this context.

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2 THE USE OF THE GOO FOR THE VOLUNTARY MARKET

RECS International is a strong promoter of the use of the guarantee of origin for the voluntary market.

In Europe a considerable voluntary market for renewable electricity exists. A voluntary market consists of different types of green power products. RECS recommends that for any kind of product the guarantee of origin is redeemed where the product is consumed. And if the guarantee of origin is imported, this must be a standardised GoO to avoid double counting and double selling.

RECS International strongly believes that the guarantee of origin must be used for the voluntary market to provide absolute clarity to consumers. Renewable electricity when fed into the grid can not be followed any more. Proof of the origin must be provided to consumers. This proof must be standardised in order to avoid double selling.

Until now only the Dutch government has acknowledged the danger of double selling and has introduced regulation that obliges suppliers of green products in the electricity market to redeem the official guarantee of origin including imports. For imports the standardised guarantee of origin is needed.

RECS International has put this point to other governments' attention, but so far with few results. RECS International is seeking support for the use of the guarantee of origin and the redemption by other organisations like EREC and EUGENE. We have found a willing ear and we hope that these organisations will support RECS International on this point.

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3 THE USE OF THE GOO FOR DISCLOSURE

RECS International has the opinion that the guarantee of origin must be used for disclosure. RECS International recommends that the Commission issue guidelines for the use of the GoO.

Disclosure means that the supplier gives information about the fuel mix of all its electricity supplies to all its costumers from the previous year. In order to prove that the supplier has indeed supplied the renewable electricity, the GoO must be used in a standardised form.

Governments have not taken full advantage of the GoO when building up schemes for disclosure. Moreover, governments have not coordinated the implementation of disclosure so far. As currently only a few governments have introduced the use of the GoO for disclosure, there is the danger of an unbalanced situation. Many countries without a standardised GoO export to a few countries with such a GoO, which leads to a high supply and relatively small demand of the GoO and therefore very low prices.

This unbalanced situation can be avoided by introducing certain forms of reciprocity. In general this means that countries will only allow imports from those countries that have a similar use of the GoO. At the moment only the Netherlands and Austria have introduced a system for disclosure based on the GoO. In both countries import of renewable electricity with the standardised GoO is possible.

RECS International has formulated and spread a strong and precise position on disclosure in its Evaluation Report and Position Paper on the use of the GoO.

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4 INTERNATIONAL TARGET COUNTING

RECS wants to promote the guarantee of origin as a reliable documentation system for target counting.

The issue of target counting is related to the definition of the indicative target as described in the RES directive. The directive itself describes the target as a consumption target, as indicated in Article 3, paragraph 2: “national indicative targets for future consumption of electricity produced from renewable energy sources in terms of a percentage of electricity consumption”. In practice however, there is considerable confusion among authorities and market players whether the targets should be considered as production or consumption targets.

In accordance with the Commission’s guidelines on internal market rules, RECS International embraces the idea to invest in renewable electricity production at the most efficient locations. And consumers should be able to purchase their electricity from desirable sources without internal frontiers forming barriers.

Under current circumstances, all member states have the intention to report only the national production and do not include existing exports and imports of renewable electricity. As a result, it is difficult to explain to consumers that a huge unbalance may exist between the amount of disclosed renewable electricity and the contribution of electricity produced from renewable energy sources to gross electricity consumption in their country.

RECS International has formulated and spread a strong and precise position on target counting in its Evaluation Report and Position Paper on the use of the guarantee of origin.

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5 MARKET STATISTICS

The AIB is publishing statistical information of the certificate market. In this annual report a cross section of this market is given for the period 2002 until 2005. More detailed information is available on the website of the AIB.

Figure
Overview of total issued and redeemed certificates for renewable energy in the standardised system of AIB.

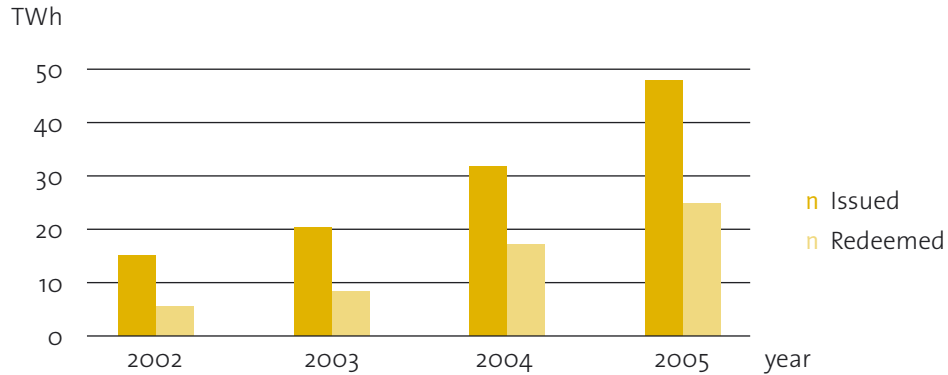
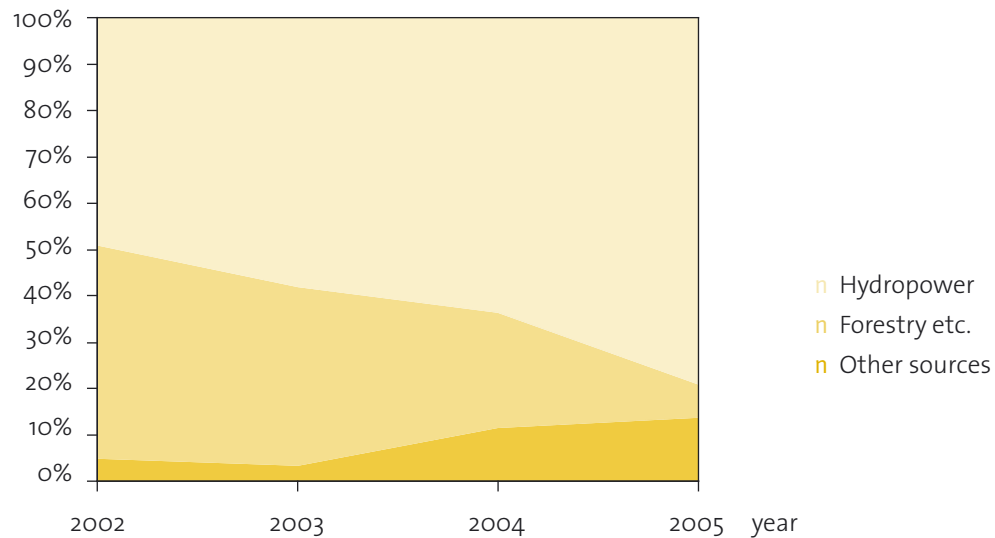


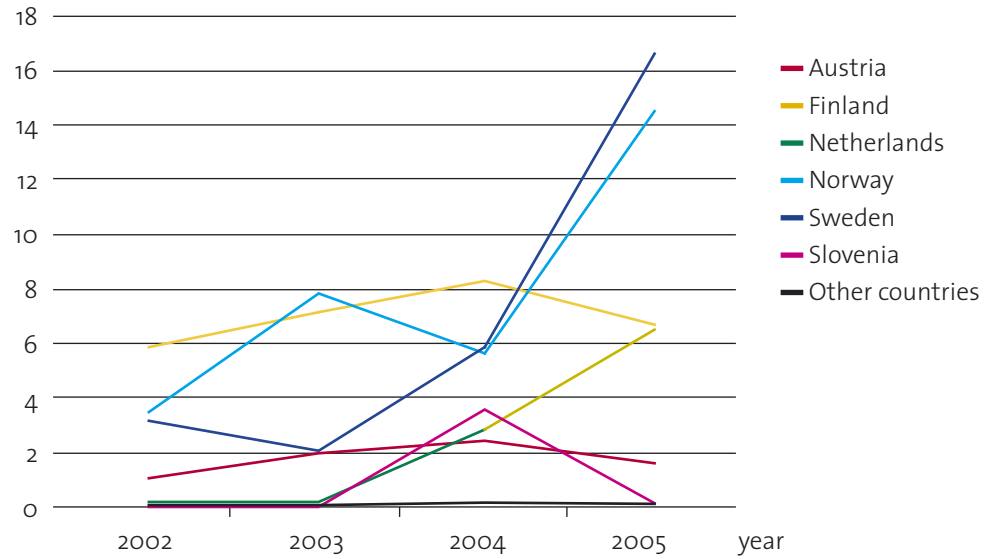
Figure
Issued certificates per source per year in percentage of total number of issued certificates.
Note that the contribution of the rest of the sources is small and combined in the category "Other sources".



Figure

Total number of issued certificates per country per year.

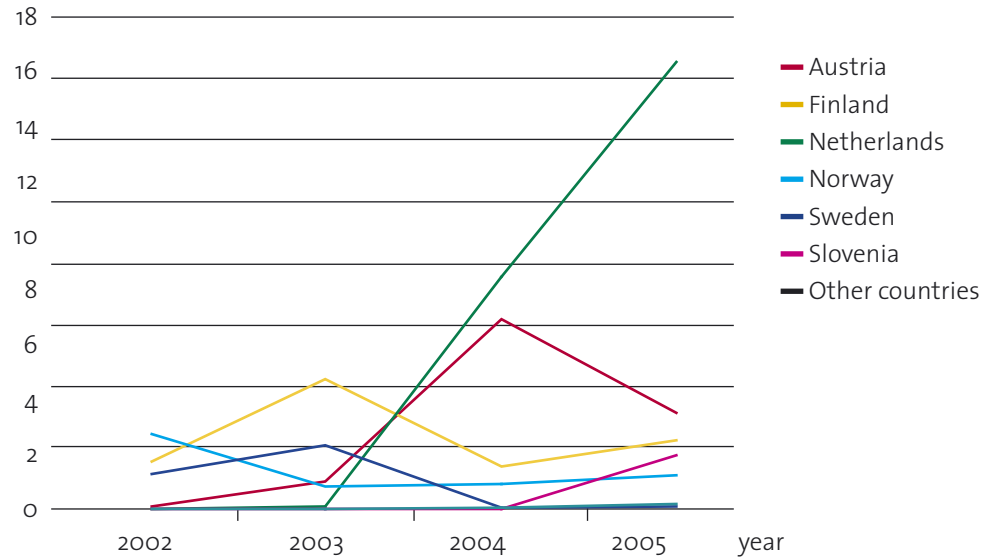
Note that Belgium, Lux, Switzerland, Germany, Denmark, Spain, France, Ireland, Italy, Poland, Portugal, Turkey, UK are listed in the category others, since their number of issued certificates is relatively small.



Figure

Total number of redeemed certificates per country per year.

Note that Belgium, Lux, Switzerland, Germany, Denmark, Spain, France, Ireland, Italy, Poland, Portugal, Turkey, UK are listed in the category others, since the number of redeemed certificates is relatively small.



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6 RECS ORGANISATION

RECS INTERNATIONAL

RECS International has developed into a mature organisation with a clear structure. The management Board members are nominated by the national teams and officially appointed by the general meeting. In 2005 one general meeting was held in Lisbon in March 2005.

The Core Group has been introduced in order to have a functional body for daily matters. A smaller group than the Board was needed to discuss all details. The decisions are however taken by the Board or the general meeting.

In appendix 4 all Board members (including substitutes), Core group members and Working group members as present at the end of 2005 are listed.

The group of officials for RECS International changed in 2005. Claes Hedenström was President of RECS International for the year 2004 and was re-elected for another year. Jose Luis Pastor Morate (Spain) ended his membership of the Board. Pierre-Guy Therond (France) was elected as Vice-President of RECS International. The treasurer John Ravlo (Norway) changed his membership of the Board into a substitute status. For this reason he stepped down as treasurer and Stefan Zisler (Germany) was elected as our new treasurer.

The active Working Groups of RECS International are:

- Demand Side
- Users Group



COOPERATION WITH AIB

With regard to cooperation with AIB, the most important topic of 2005 was the 'multi certificates discussion'. It has been concluded by RECS International that preferably one system based on the guarantee of origin should be used.

The Users Group has been appointed to take the lead in the cooperation for the coming year 2006.

In 2005, RECS International organised 4 joint meetings with the AIB.

- Lisbon in March: with an open Seminar (very successful with 120 participants)
- Brussels in June: with a low profile
- Copenhagen in September: with a very successful open Seminar partly on white certificates
- London in November: with a low profile

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RECS STATISTICS

	Test phase	2003	2004	2005
Big members	38	51	55	56
Small members	18	32	47	47
Associated members	5	15	13	32
Total	61	98	117	135

OVERVIEW PER COUNTRY

	Associate	Big	Small	Total
Austria	1	2	3	6
Belgium	1	2	2	5
Denmark	2	2	2	6
Finland	1	8	3	12
France	8	4	6	18
Germany	0	3	3	6
Ireland	0	1	1	2
Italy	3	9	6	18
Latvia	0	0	1	1
Netherlands	6	3	6	15
Norway	0	7	5	12
Poland	1	0	1	2
Portugal	1	1	1	3
Slovenia	0	1	0	1
Spain	1	4	0	5
Sweden	0	4	2	6
Switzerland	2	5	5	12
Turkey	2	0	0	2
United Kingdom	4	0	1	5
Total	32	56	47	135

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7 RECS FINANCIALS

The financial overview is not audited by an accountant and is based on figures of 27 February 2006

Incomes	real # 2004	budget # 2005	real # 1 Sept.	Budget 2005	Estimate Result 2005	Expenses	Budget 2005	Estimate Result 2005
Big member	55	55	56	220.000	218.000,00	5,10 Secretariat	179.250	178.500,00
Small member	47	53	47	47.700	41.625,00	5,11 Assistance secretariat	36.000	35.700,00
Associate	13	13	32	0	0,00	5,12 Book keeping	9500	9.520,00
Poland					2.508,37	5,20 Travel& Accomodation	13.200	14.030,64
Participation ETRES				9.000		5,30 PR&Com	25.000	40.107,29
						5,40 Legal advice	2.500	
						5,50 Meetings		
						5,51 Lisbon		-5.799,00
						5,52 Brussel		5.155,05
						5,53 Copenhagen		-4.092,68
						5,54 London		1.675,03
						5,60 Website	10.000	23.401,78
						5,70 Contingency	1.000	16.054,81
						Result	250	-52.119,55
	115	121	135	276.700	262.133,37		276.700	262.133,37

Debtors	10.025,00
Rabobank	131.602,30
To receive	5.087,42
	146.714,72

Result 2003	131.151,32
Result 2004	24.835,24
Result 2005	-52.119,55
Creditors	42.847,71
	146.714,72

REMARKS

- On the income side we see a slight deficit caused by less additional members than expected (~ -5% or ~ -14,000 €)
- On the expenses side we see a substantial overshoot of 19,5% over planned budget (52,000 €), of which main posts for overshoot are:
 - o PR&COM +15,000 €
 - o website +13,000 €
 - o contingency: database for website +15,000 €
- The losses of 2005 are compensated by the results of the previous years and do not cause any problems.

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8 ANNEXES

MEETINGS

20/21 January	SETREC conference” Side Effects of Tradable Renewable Energy Certificates”	Brussels
24/25 February	Regular RECS and AIB meeting	Lisbon
2/3 June	Regular RECS and AIB meeting	Brussels
20 June	Workshop with Eugene	Berlin
27 July	Visit DG TREN	Brussels
10/11 July	Participation EU-project	Poznan, Poland
16 August	Core Group	(Teleconference)
1 September	Board meeting	(Teleconference)
5 September	Visit EREC, Policy group	Brussels
6 September	Core Group	(Teleconference)
16 September	Workshop Iceland	Iceland
22/23 September	Regular RECS and AIB meeting in	Copenhagen
28 September	WG RES & DG and the WG Energy Policy(Eurelectric)	Brussels
29 September	WG Cross Border	Brussels
6/7 October	Green Power Marketing	Berlin
10 October	<ul style="list-style-type: none"> • Press conference • Evaluation Report printed • Position Paper 	Brussels
13/14 October	Amsterdam Forum <ul style="list-style-type: none"> • Renewable energy, 13 October • Energy Saving, 14 October 	Amsterdam
9 November	E-Mart	Nice (Fr)
24/25 November	Regular RECS and AIB meeting,	London
5 December	Round table ICLEI	Paris

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MEMBERS OF THE BOARD AND WORKING GROUPS

BOARD MEMBERS AND SUBSTITUTES

Name	Company	Country
Backström, Hans	Fortum Corporation	Finland
Baumann, Ralph	Avenis Trading SA	Switzerland
Cicoletti, Giulio	Assoelettrica	Italy
Diwok, Felix	Axpo AG	Switzerland
Hedenström, Claes	Vattenfall AB	Sweden
Kulischek, Willi	E&T Energie Handelsgesellschaft m.B.H.	Austria
Ladry, Christian	Electrabel n.v.	Belgium
Lobo Ferreira, Henrique	EDP-Gastao da Produçao de Energia, SA	Portugal
Nykänen, Jussi	GreenStream Network Ltd.	Finland
Petersen, Aksel	Elsam Kraft A/S	Denmark
Picard, Pierre	Green-Access	France
Povh, Blanka	HSE d.o.o.	Slovenia
Ravlo, John	Enviro Energi ASA	Norway
Rios Sanchez, Juan Luis	Iberdrola Generación S.A.U.	Spain
Steinberger, Eveline	Verbund (Österreichische Elektrizitätswirtschafts) AG / APT	Austria
Szweykowska-Muradin, Marynka	Polish Association for Certification of Energy PTCE (Polskie Towarzystwo Certyfikacji Energii)	Poland
Tavares, Maria Natália	REN - Rede Eléctrica Nacional S.A.	Portugal
Therond, Pierre-Guy	EDF	France
Ulreich, Stefan	E.On Energie AG	Germany
Vos, Deirdre	N.V. NUON	Netherlands
Waage Fougner, Marianne	Norsk Hydro ASA	Norway
Wieczorek, Tomasz	Polish Association for Certification of Energy PTCE (Polskie Towarzystwo Certyfikacji Energii)	Poland
Zisler, Stefan	Vattenfall Europe Hamburg AG	Germany

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WORKING GROUP DEMAND SIDE

Name	Company	Country
Bächle, Thomas	Verbund (Österreichische Elektrizitätswirtschafts) AG / APT	Austria
Baumann, Ralph	Avenis Trading SA	Switzerland
Gistau, Ignacio	Union Fenosa Generacion	Spain
Johannessen, Arvid	Agder Energi Produksjon AS	Norway
Kiefer, Bernd	Elementerra GmbH	Germany
Kildal, Hans Petter	Ostfold Energi Produksjon	Norway
Petersen, Aksel	Elsam Kraft A/S	Denmark
Picard, Pierre	Hydrowatt	France
Scheib, Ina	Iberdrola Generación S.A.U.	Spain
van de Vegte, Haike	Secretariat RECS International	Netherlands
Waage Fougner, Marianne	Norsk Hydro ASA	Norway
Wurche, Peter	Elektrizitätswerk Stadt Schaffhausen	Switzerland

USERS GROUP

Name	Company	Country
Bächle, Thomas	Verbund (Österreichische Elektrizitätswirtschafts) AG / APT	Austria
Lagendijk, Karen	N.V. NUON	Netherlands
Mueller, Thomas	GreenStream Network Ltd.	Finland
Niermeijer, Peter	Secretariat RECS International	Netherlands
Nykänen, Jussi	GreenStream Network Ltd.	Finland
Palme, Robert	Swisshydro	Switzerland
Ravlo, John	Enviro Energi ASA	Norway
Scheib, Ina	Iberdrola Generación S.A.U.	Spain
Ulreich, Stefan	E.On Energie AG	Germany
Vonbank, Arnold	Elektrizitätswerk der Stadt Zurich (EWZ)	Switzerland

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9 CONTACT

If you have any further questions or comments about RECS or the RECS International association, please feel free to contact us at any time:

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