

Shaping an effective renewable electricity market

RECS
INTERNATIONAL

No.1

Magazine

January 2013

In this issue

P2 From the editor / P3 Purchasing low-carbon electricity /

P8 Interview with Markus Schmid of WISE / P11 RECS Market Meeting 2013

/ P14 News / P15 A broker's column



page 3

Purchasing low-carbon electricity

From the editor



Ten years ago on 23 December 2002 RECS International was officially established as a Brussels-based non-profit association. A decade later we are not so much celebrating our past as looking forward to developments in the future. The success of the Guarantee of Origin (GO) system is apparent – we have grown from tracking GWhs to TWhs of electricity. The GO is now recognized in European law and standardized certificates will be adopted by most European national governments by the end of 2013. It's time to change our focus and start speaking on behalf of consumers and corporations that purchase renewable power. The GO certificate transforms the electricity market into a consumer democracy, allowing each individual to vote for their preferred type of generation by choosing a particular electricity product.

Consumers need to find a voice. We encourage all stakeholders to express their views by discussing the characteristics of different electricity products. This magazine is our way of encouraging such discussions and creating a platform for dialogue. In future editions we hope stakeholders will comment, write articles and express their opinions. We may not agree with all of the statements made in the magazine, but this open forum is intended to further the conversation and move towards agreement on key issues.

We would also like to take this opportunity to thank all of our members – and other stakeholders – for their support over the last ten years. Let's celebrate ten years of success by embarking on another ten years of growth. Growth in the market, growth in consumer choice, and the growth of renewable energy.

Peter Niermeijer

Secretary General of RECS International

Purchasing low-carbon electricity

From a consumer's point of view, when given the choice between fossil-fuel-based or renewable electricity the smart choice is the renewable option. Why? Because renewable electricity does not cause carbon emissions and fossil-fuel-based electricity does. No informed consumer wants to be responsible for carbon emissions, but is it that simple? Can I, as a consumer, influence the type of electricity other consumers purchase? How can I even be sure that the electricity I have purchased is low-carbon?

In this cover story we explain why consumers of renewable electricity can make carbon claims and how double counting can be avoided.



Purchasing low-carbon electricity

Carbon accounting for electricity consumption

Carbon accounting for electricity means that end-users (anyone who uses electricity) can determine their indirect/offsite emissions based on the electricity they have consumed. These emissions are easy to calculate:

Electricity consumption (kWh) **x** **emission factor** (gr CO₂/kWh) = **carbon footprint** (gr CO₂)

Total electricity consumption is usually known. However, defining the type of electricity consumed (and its emission factor) is more difficult.

Can consumers choose a specific type of electricity?

Yes, liberalization of the electricity market makes it possible to choose a supplier of electricity and more importantly, a specific electricity product. The problem with identifying a specific electricity product is this: electricity cannot be tracked from a wind turbine (green) or fossil-fuel-based power station (grey) directly to the consumer.

Unlike other products you cannot separate green electricity from grey electricity, as you would, for example, with fair trade versus non-fair trade coffee. In Europe, production and consumption from specific electricity sources are guaranteed via a regulated certificate system. Whenever a standard amount of electricity is placed onto the grid (1 MWh in Europe), a matching certificate is created. Both of these items – the electricity and the certificate proving its origin – can be purchased. When consumers eventually consume electricity (i.e. take electricity from the grid), they have the option of proving the origin of that electricity by claiming the corresponding certificate. Consumers who have purchased a certificate specifying wind electricity can then claim that they have consumed a standardized amount of wind-based electricity (again 1 MWh in Europe).

This certificate, like the electricity it relates to, can only be used once and is 'cancelled' at the time of consumption. In this way the electricity is 'booked' onto the grid and 'claimed' by a consumer. Such systems are known as 'book and claim' systems. In Europe the currency of the electricity tracking book and claim system is mandated in European law as Guarantees of Origin (GOs). This system is well developed and has existed for more than a decade. Read more about it on our website www.recs.org.

Not choosing an electricity product is also a choice

Consumers may think that if they do not choose a specific (renewable) electricity product they just consume the average of all power plants on the grid – often referred to as the 'grid average'. This is usually calculated from national electricity production figures. Calculating a carbon footprint based on the grid average was acceptable until 2001, when the first European GO was purchased. Consumers need to know that the grid average does not take into account international electricity trade and is as such no longer a reliable source for emission factors.

Thanks to liberalization of the electricity market, it's now possible to purchase a specific electricity 'product' by consuming the corresponding certificate. In a scenario where all renewable electricity in a country has been tracked and 'cancelled' (consumed) by individual electricity consumers, the grid average becomes invalid due to the possibility of double counting.

How does double-counting arise? Consumers can prove they are using renewable electricity when they purchase and 'cancel' a GO certificate. They can then determine a grid emission factor based on the specific type of electricity they purchased. Since neither the electricity, nor the certificates can be used twice, all other consumers must be consuming the remaining electricity production sources, the

Purchasing low-carbon electricity

fossil-fuel-based and nuclear electricity production (and are therefore responsible for the associated carbon emissions and nuclear waste). This remaining electricity, which is determined on an annual basis, is known as the 'residual mix'.

The calculation of the residual mix must be coordinated at the European level. The starting point for such calculations is the national production mix (previously referred to as the grid average). The national consumption mix is calculated by correcting for imports and exports of electricity across national borders. Such trade is visible via the physical flows of electricity as well as the cross-border trade of GO certificates. After correcting for cross-border trade, all cancelled GO certificates are subtracted. These represent individuals purchasing attributes from the public grid and hence are no longer available for purchase (or use) by other consumers.

The importance of such a calculation can be seen in Norway. Norway produces nearly 97% renewable electricity but sells – using GOs – about 70% of its renewable electricity to end-users in other countries. As consumers in Norway clearly do not consume 70% less electricity, imports of European electricity are needed for those who did not choose renewable electricity. This electricity, which lacks a corresponding certificate, means that the residual mix, the consumption of electricity in Norway, is about 70% fossil-fuel-based and nuclear-based electricity.

The European Electricity Directive (2009/72/EC) makes it mandatory for electricity supply companies to inform consumers about the fuel mix, carbon emissions and nuclear waste related to their electricity purchase. In most countries the use of the GO is mandatory for supplier-made renewable electricity products which makes information related to renewable energy purchases, and the associated carbon emissions, much more reliable than information about other (non-renewable) types

of electricity production. No country in Europe has mandated a tracking system for non-renewable electricity. This makes non-renewable electricity products virtually impossible to distinguish from each other and claims of a 'lower-carbon' non-renewable electricity product nearly impossible to prove. Additionally, the lack of national laws enforcing the calculation of the residual mix makes product information related to non-renewable electricity extremely unreliable.

Is choosing carbon-free electricity good enough?

We believe that the purchase and cancellation of a GO certificate is sufficient to calculate and report a reliable and transparent carbon footprint. There are some stakeholders who believe that carbon claims cannot be made without including the concept of additionality. Problems arise here because of different interpretations of what additionality is. Is the production mix influenced by purchases of renewable electricity? The answer is yes as can be seen in the residual mix. Is there an increase in renewable production as the result of renewable purchases? Maybe, but this depends on the price of the certificate and the willingness of investors to build additional renewable sources, not to mention the amount of renewable electricity consumed. If all consumers were to choose renewable electricity, the price of the GO would rise, consumers would pay more and demand for renewable electricity would exceed supply, leading to more renewable generation. Soon fossil-fuel-based and nuclear plants could be closed down because of higher revenues for renewable electricity production.

The above reasoning is based on the fact that individual consumers are responsible for their actions. Individuals and companies can only choose a renewable electricity product for themselves – they cannot make this decision for others. It is true that

Purchasing low-carbon electricity

choosing renewable electricity will immediately change the residual mix, but this does not immediately reduce the demand for fossil-fuel-based electricity. So the purchase of renewable electricity does not immediately change global emissions.

Individual consumers are, of course, responsible for their own actions and can only influence their own carbon footprint. Each has the responsibility to work on their own individual carbon footprint and often wish to reduce that over time. This approach is the norm in nearly all markets. Purchasers of locally produced pumpkins do not expect that a farmer will plant more pumpkins as a result of a single purchase – but they would expect more production if their whole neighbourhood bought pumpkins from the farmer. Electricity is no different.

By introducing a market for specific types of electricity (as well as supply from low-carbon and renewable sources), such electricity, which is greatly in demand, will attract revenues beyond the price of the power alone. The GO certificate is sold at a specific market value, based on supply and demand. In some cases this extra income allows electricity producers to carry out repairs on renewable production sites. These repairs have been known to allow renewable facilities to deliver power longer and continue production beyond their expected lifetime. Admittedly these effects are small, but people who purchase specific electricity products are justified in claiming a specific emission factor based on such purchases.

Additionality in the European context

Many stakeholders argue that in the European situation additionality is not possible. Firstly, there is the European Emission Trading Scheme (ETS). This is a cap-and-trade system and the total amount of emission allowances does not change when new renewable power is installed. In addition, Europe has binding renewable electricity production

targets. These make it impossible to prove that a newly installed renewable power station was truly 'additional' or will result in a national government installing one fewer renewable power station in order to meet its target.

A liberalized electricity market

In Europe's liberalized electricity market consumers are free to choose their electricity supply company. In most countries this choice in electricity supply company is very well regulated in order to protect consumers. As previously explained, consumers are also free to choose a specific electricity product from their supply company. This choice in product is, unlike the choice of supplier, very poorly regulated in the EU as well as by national governments.

Think of this discrepancy in a different way. The law says you can purchase a car from any car dealer you like. The law protects your choice of car dealer and makes sure you are able to easily change from one car dealer to another. The problem arises when you attempt to buy a specific car from that car dealer. You may wish to buy an Audi but the car dealer will only sell you a Peugeot. In this case you could change car dealers in order to buy an Audi. In the world of electricity, however, regulations are so poor that a car dealer could sell you a Peugeot with the Audi logo on it – changing the look of the product you are receiving, but not the product itself. Such tricks are easily and legally accomplished because of the limited regulations protecting the specific types of electricity which consumers purchase.

At RECS International we believe that European coordination is essential and that carbon emission factors need to be standardized. The best practice rules from Reliable Disclosure Systems for Europe (RE-DISS) have done this since 2010 and this organization will continue to publish residual mix figures in the years ahead. However, even with this project coordinating national emission factors

Purchasing low-carbon electricity

(residual mix figures) Europe-wide, no European country mandates its use. In this way consumers are unprotected from double claims of renewable electricity; this is just one example of poor regulation. Often sceptics argue that the accuracy of such calculations are wrong and so any discussion of emission factors is wrong as well. We believe that more important than perfect accuracy is the consistency of the methodology year-on-year. It is of more value if, for example, large companies calculate their carbon footprints each year based on the same methodology and emission factors than if they determine emission factors for each locality in which they consumed electricity. Only in this way can outside stakeholders compare companies in the same industry to each other instead of just comparing the same company to itself year-on-year. Some critics say that renewable electricity is not free of carbon emissions and that 'up-stream' emissions must be taken in account, i.e. a life-cycle analysis should be mandatory. At RECS International we believe that if stakeholders can agree upon the criteria for a life-cycle analysis it should be conducted for all energy sources. In fact, we suggest making these kind of calculations for fossil-fuel-based electricity first. The reason for this is that the percentage of this type of electricity being delivered to consumers is significantly larger, Europe-wide, than that of renewable sources. A life-cycle analysis of fossil-fuel-based sources would have a greater impact on transparency and the environment.

Trias energetica

If consumers wish to reduce their carbon footprint, it is generally agreed that they should do so in the following sequence:

1. Not using electricity is the best way to reduce indirect carbon emissions based on electricity. This benefits not only the climate but also security of supply.
2. If electricity is still needed (i.e. when all possible energy conservation methods/devices have been carried out/installed), consumers should make or buy renewable electricity. This is where the purchase of a specific electricity product comes in. Even in the case of onsite renewable energy production it is vital that consumers 'cancel' their own GO certificates (to exclude double counting). Naturally, in this case, the GO would be free of charge, as producers of electricity do not need to buy their own certificates.
3. If it is not possible to produce or purchase renewable electricity (due to high prices or a lack of supply), a final step is to compensate for carbon emissions with emission reduction units. Clearly such units must make a real impact on global greenhouse gas emissions (making carbon emissions more expensive is also an accepted way to achieve this).

The focus within the trias energetica depends strongly on where the electricity is consumed. The first two steps encourage consumers to implement measures on their own property or in their own municipality, province, country or continent. Just as consumers are responsible for purchasing renewable electricity, they are equally responsible for where they choose to locate their activities. The first two measures represent this responsibility for local change, but, when these options are exhausted, consumers are responsible for doing all they can via trustworthy compensation efforts inside, and outside, their own domain.



Interview with

Markus Schmid of WISE

WISE is a non-governmental anti-nuclear organization based in Amsterdam. Since 2004 they have been running the campaign 'Green Energy? Yes Please!' for which Markus Schmid has recently become campaign manager. Before he joined WISE, Markus set up and managed an online community on green homes (duurzameburen.nl) and organized a citizen's transition initiative in his home town Diemen.

1. How did WISE start working with the Guarantee of Origin (GO) system and what were your first impressions of it?

I first heard of the GO tracking system when I joined the, 'Green Energy? Yes Please!' campaign last summer. It took me several weeks to understand the concept behind GOs and the electricity trading system. At first I found it very strange to learn that there are two parallel markets that are not connected, each with different rules and regulations. After some research I understood why it has to be this way.

It remains difficult; just try explaining it to a friend at a party! You'll soon find yourself sounding rather silly and are likely to bore your friend. I believe that if we really want to interest people in green electricity we urgently need more transparent information about the GO system used to deliver it. One way to achieve that goal is to produce good infographics, or animations, to help get across what green energy really is. We are currently looking for funding for these types of projects.

2. Now that you've been working with the GO System for some time, can you see ways for environmental and consumer groups to work with the system to achieve their goals? Can the GO system help WISE achieve its goals?

Only when all kinds of electricity (and not just renewable electricity) are available for purchase via the GO system can all consumers be correctly informed about the type of electricity they are actually buying. Do you want dirty electricity from coal or nuclear? Or are you willing to pay a little more for clean and green electricity from a local wind turbine? We need 'full disclosure' so that consumers can make a real choice as to which electricity product they wish to buy.

The WISE green energy campaign takes the GO system one step further: We attempt to directly connect local green energy producers to local energy consumers. This straightforward use of GOs makes sense to us as it allows us to raise awareness of renewable energy at the local level.

Interview

There is growing consensus that local is better. A consumer buying apples may prefer locally produced apples to cheaper apples from New Zealand. We want to ride on that same wave by supporting local energy consumption. It starts with a feeling, but will eventually affect the real world of economics and revenue flows. We need to change the way we think about energy; only then can we change the way energy is produced.

3. **WISE is known in the Benelux for introducing the word, 'sjoemelstroom' (tampered with electricity). Some interpret this as being a critique of the system for tracked electricity; is that the case? What is 'sjoemelstroom' in your opinion – is it really about tracking systems?**

Electricity providers and suppliers are trading and cancelling more and more cheap foreign (very often Norwegian) hydro-electricity GOs every year. We believe that this practice, over the years, has gradually undermined consumers' trust in renewable electricity. While we were designing our campaign last summer, we introduced the word, 'sjoemelstroom' to stimulate discussion, and so far it has done just that.

We're not pointing the finger at the GO system (and we absolutely believe in the need for good electricity disclosure systems), but we are pointing our finger at the electricity providers that have abused the system by creating meaningless cheap green products. These organizations should inform their customers better about the type of electricity they are consuming.

Some people say we're creating mistrust and confusion among consumers, but, we believe we're just telling the truth.

4. **If I understand you well, when you say 'sjoemelstroom' is not the GO itself but rather what additional attributes (like additionality) the GO is able to deliver. What would WISE propose to help solve this issue regarding 'sjoemelstroom'? Who can make the change?**

It is a three step plan with three parties involved.

1. Consumers choose local,
2. The suppliers supply local,
3. The government demands correct information for the consumer.

If the three parties work together this will help to create a more favorable environment for investments in local renewable energy projects. If consumers are well-informed and start demanding more local green energy, prices for local GOs will go up. This will help to add new local production. This 'additionality' is what it's all about as far as WISE is concerned. In international rankings on green energy and climate change measures, the Netherlands are currently (almost) at the bottom of the list. Of course we need more than just our plan here. But the combination of a financial incentive and raising awareness will help. The GO system provides a great basis for this, let's use it!

→

Interview

5. So it seems that disclosing the type of electricity one has consumed is important. But if insufficient disclosure (consumer information) is a big problem, who is at fault? The consumer (organizations)? The legislation? The supply companies? or the Guarantee of Origin?

As I already said, we're mainly blaming the energy suppliers. But the Dutch government is also to blame. Deeply manipulated by the fossil-fuel industry in our opinion, our national government is doing very little to kick-start the energy revolution. We think that governments in general have the responsibility to provide more information about the energy consumption of consumers.

In a world of declining fossil-fuel reserves and climate change energy is no longer just a 'commodity'. That's the big picture. In the context of the GO discussion we demand that our government drafts legislation which will ensure that energy consumers get better information. We have the right to know what kind of electricity we're buying. Confusing residual mix graphics hidden in a submenu on a corporate website are just not good enough!

6. What are the best ways to improve consumer information? Can the GO ever bring additional green power to the Benelux or is it really just an accounting scheme?

Green energy has been marketed very successfully in the Netherlands. In 2011, 30% of all electricity consumed in the Netherlands was green . Unfortunately , much of this was due to imports of

cheap hydro-electric GOs. The actual percentage of renewable electricity produced in the Netherlands is around 10%.

In the long term, it makes sense to raise the price of local GOs. We have calculated that a price of €20-40 is possible in some areas, and with some buyers. At that point (and maybe earlier) GOs would be helping to make new investments possible.

Do we really want more renewable energy made locally? OK, but then we also have to accept a higher price for local GOs – at least here in the Netherlands. And we would like to add this: Get involved in a local citizens' initiative for renewable energy. And get yourself some solar panels.



Campaign 'Green Energy? Yes Please!':

www.groenestroomjagraag.nl

Dutch WISE Organisation:

www.wisenederland.nl

International network:

www.wiseinternational.org

RECS Market Meeting 2013 Berlin, Germany



Introduction

It is our pleasure to invite you to the third RECS Market Meeting 2013, which will be held in Berlin, Germany on 20 and 21 March 2013. There's no doubt that consumers want renewable energy. With demand for renewable electricity growing by 35% per year, it's clear that more and more consumers want this product. Electricity tracking systems are the backbone of renewable electricity markets worldwide. In Europe, the Guarantee of Origin tracking system has become a robust, reliable and secure method for delivering information about electricity.

The RECS Market Meeting has been designed to cover all aspects of the emerging renewable electricity market and it allows those who attend to get reliable information about the most important topics. We have done market research that gives us a picture of the trends that can be expected.

What people said about the RECS Market meeting 2012 in Amsterdam

At last year's conference we welcomed over 190 delegates from over 21 countries. Some reactions from delegates:

"A great and well organized event, very good conference," Agder Energi

"The event has become more mature, in line with the growing market," Statkraft

"Absolutely the best RECS conference I have attended," Ecohz

"A great and well organized RECS Market Meeting," Landsvirkjun

RECS Market Meeting 2013

Update on the programme

This conference will give you a broad perspective on the renewable electricity market, including:

- Insight into the structure of the wholesale market for renewable electricity.
- Views on using a market approach in order to support renewable electricity beyond 2020.
- News from large companies about their successes and failures in purchasing and consuming renewable electricity as well as their plans for increasing sustainability in the future.
- The latest news on national developments and how these have changed the market for renewable electricity.
- Information about the regulations on the cancellation of GOs (in relation to renewable electricity products and their disclosure).
- A special focus on how renewable electricity is currently bought and sold in Germany.
- Success stories: how to market renewable electricity products.
- Volumes and prices of renewable electricity in Europe.

For the latest RECS Market Meeting programme please go to www.recsmarket.eu

Speakers confirmed

For the conference in Berlin we have been able to attract high-level speakers, all experts in the field of the renewable electricity market. The speaker list includes:

Robert Palme

Head of Sales Europe
Agder Energi

Phil Moody

Secretary General
AIB

Sebastian Ratha

Executive Director
Amsterdam Capital Trading

Oliver Germeroth

CEO
Bischoff & Ditze Energy

Pedro Faria

Technical Director
Carbon Disclosure Project

Jan van der Lee

Senior manager
CertiQ

Dirk Van Evercooren

Chair
CEER Customer
Empowerment Task Force

Tom Lindberg

Managing Director
ECOHZ

Miriam Mann

Strategy & Market Design
EEX

Dick Jonker

Corporate Development
and Strategy
Eneco

Tom Howes

Deputy Head of Unit
DG Energy
European Commission

Paul Hockenos

Correspondent
European Energy Review

Michael Marty

Head of Section Register
of GO for Renewables
German Federal
Environment Agency

André Poschmann

BMU
German Federal Ministry
for the Environment

Markus Klimscheffskij

Renewable Energy Expert
Grexel

Marko Lehtovaara

CEO
Grexel

John Harris

Renewable Energy Expert
IKEA Capital

Thomas Eccard

Head of Green Markets
Markedskraft

Menno Kuiper

Specialist reporting CSR
MVOplossingen

Dagmar Fellmann

Manager Renewables
and Origination
NEAS Energy

Alessandro Faccoli

Founder and Managing
Director
Nvalue

Kristin Kolseth

Senior Adviser
NVE

RECS Market Meeting 2013

Diane Lescot

Responsible pole
d'Etudes et Certification
ObservER

Claes Hedenström

President
RECS International

Peter Niermeijer

Secretary General
RECS International

William Webster

Head of EU Power Market
Design
RWE Supply & Trading

Daniel Rüfenacht

Vice President Sustainability
SGS

Frank Hoster

Trade and Portfolio
Management
Stadtwerke Kassel

Niels van der Linden

Business Development
Manager
Statkraft Markets

Tomás García

Director of Market
Development & Strategy
EMEA & LATAM
SunEdison

Gustaf Ebena

Head Electricity Certificates
and Energy Analysis
Swedish Energy Agency

Lukas Groebke

Manager Renewable Affairs
& Relationships
Swissgrid

Louis von Moos

Managing Director
Verein ECS Schweiz

Katrien Verwimp

Market Expert Renewables
and CHP-certificates
VREG

Mark Didden

Program Officer
Greenhouse Gas Protocol
World Business Council for
Sustainable Development



Make sure you don't miss the opportunity to participate in the only conference that will give you a full picture of the market for renewable electricity. **Register before 25 January and save 20% of the full registration fee.**

There are also special corporate arrangements; register with 3+ delegates to save even more. Go to www.recsmarket.eu to register for the RECS Market Meeting 2013 and/or the pre-conference workshop.

REGISTER



Hotel Melia Berlin
Friedrichstrasse 103
D-10117 Berlin
T +49 (0)30 2060 790 119

RECS Events has negotiated special room rates for the duration of the meeting. If you wish to take advantage of these rates, please book your room at Hotel Melia Berlin before 1 February 2013. Go to www.recsmarket.eu and click the venue button to make your reservation.

For more information please contact RECS Secretariat at +31 (0)26 356 924 24

News

Growth in the EECS system expands trade and increases consumer choice

The EECS system, a standard for the national Guarantee of Origin, allows for the easy transfer, trade and recognition of different national GO certificates. In this way the EECS-GO certificate has become the European recognized 'currency' for electricity attribute trading.

In 2013 we expect to see significant growth in the recognition and use of EECS-GO certificates in Europe. Croatia is expected to become a member of the Association of Issuing Bodies (AIB) in 2013 allowing them to issue and trade of EECS-GO certificates on the electronic registry hub owned by the AIB. Other countries, such as Italy, will focus only on EECS-GO based tracking certificates, phasing out both the CO-FER and RECS certificate. Further changes are expected in France, Germany and the Czech Republic. The French government appointed PowerNext to set up the French GO registry. Rumours suggest that PowerNext is positive about the possibility of having the French GO be an EECS-GO. There have been discussions between Germany and the AIB for a number of years. The results of these discussions are unclear, but it seems likely that a more harmonized system will emerge in 2013. Lastly, the Czech Republic has been

discussing membership with the AIB about allowing Central European certificates to enter the EECS-GO market.

Lawsuit on how cross-border trade for electricity could make target compliance less expensive

Recently a court case between a wind producer in Finland and the Swedish Energy Agency has been escalated from the local Swedish courts for recommendations by the European Court of Justice. Proponents of the court case see this as a way to increase the cost-efficient production of renewable electricity in order to meet national European-2020 renewable production targets. By allowing cross-border trade of electricity attributes a national government would be able to invest across its own borders where the implementation of renewable technologies may be more cost-efficient. In this way the renewable resources would be exploited where they are most abundantly available, including outside of a country's national borders.

RECS International discusses the future of GO systems

RECS International has been in discussion with the Association of Issuing Bodies (AIB) regarding the possibility of phasing out RECS

Certificates. Many RECS International board members believe that the RECS certificate has served its purpose, providing more than 10 years of reliable electricity attribute transfer as well as demonstrating the value of electricity trading systems to national governments. With the phasing out of RECS certificates the Guarantee of Origin (GO) would become the single electricity tracking mechanism for Europe, allowing the simplified purchase of electricity products for all consumers. Some RECS members have suggested the possibility of a voluntary certificate for some Eastern European non-EU countries, which would be based on the principles of the EECS standard. This would allow these countries to become better acquainted with electricity tracking systems and help ease the future introduction of a national Guarantee of Origin system. RECS International hopes that these Eastern European voluntary certificates could, in the future, be interchangeable with the Guarantee of Origin. Both the phase-out of RECS certificates and the introduction of a voluntary Eastern European certificate will be discussed during the RECS General meeting in Berlin on 19 March 2013.

A broker's column

The market is always right



The first RECS Magazine and the first broker's column. Let me first explain the role a broker plays in the market for guarantees of origin (GOs) and why a broker should be writing this column.

Buyers and sellers of GOs have one thing in common interest: they both wish to engage in a transaction. But they also have conflicting interests when it comes to the price: sellers want a high price, while buyers, of course, want a low price. Market players vary from very small, uninformed participants to very large professional traders. This discrepancy leads to a mismatch in information. A broker however, is in contact with all market players and can provide i) independent market and price information and ii) access to all market participants.

So, as an independent market player, what have we observed over the last four years?

The good news is that everybody wants to buy green. In the last three years, demand for renewable electricity has increased from 100 TWh in 2008 to 250 TWh in 2011. The bad news is that opinions on what precisely 'green' electricity is differ substantially. We have experienced many discussions about quality which can prevent further growth in this dynamic market.

As in any market, sellers want to create extra value for their product. For green electricity however, it is hard to argue that one product is better than another, as the output is exactly the same for all consumers. Furthermore, the European RES Directive states that all member states must accept each other's GOs for the purpose of fuel mix disclosure. Claims about additionality, sustainability and carbon accounting are now the only way to diversify products. These claims are, however, subjective and even NGOs don't always agree with each other. So, while sellers try to distinguish themselves from the competition, the irony is that such discussions are actually discouraging buyers from purchasing green electricity.

Luckily claims about the traceability and reliability of GOs can be measured and audited based on facts. More than 90% of all traded volumes still relate to renewable electricity, regardless of any discussions about the claims made about them.

For a broker, ultimately, the market is always right.

Max van Meer

Managing Director, STX Services

RECS Magazine

RECS International is a non-profit organization that promotes an open pan-European renewable energy market, facilitated by commonly accepted and harmonized tracking systems. In order to realise this vision we encourage the dissemination of accurate information to consumers regarding their electricity and energy purchases. RECS International is a members-based association with over 200 corporate members from 22 countries. If you are interested in the benefits of membership with RECS International please contact the Secretariat via

The articles in this magazine have been edited by members of the secretariat of RECS International, but the opinions held by the authors are theirs alone and do not necessarily express the views of RECS International.

Please send letters to the editor to

Graphic design:

(advertisement)

STX Services

The number 1 environmental broker company in Europe.

The preferred partner to optimise your targets in environmental and energy-related markets.

PRODUCTS

GREEN ENERGY CERTIFICATES



CARBON EMISSIONS



BIOFUEL & CSO



ENERGY EFFICIENCY

SERVICES

- 1,000 large and medium-sized customers in Europe and Asia Pacific.
- Environmental product specialists in 14 different languages.
- 35 energy-related products.
- Daily price updates & market intelligence.
- Independent market access.
- Mutual customer introductions.
- Profound knowledge of local rules and regulation.
- Advising services to financially optimise deal structures.
- Assistance in contract negotiations.

STX Services B.V.

Your partner in environmental commodities.

www.stxservices.com | info@stxservices.com

STX
SERVICES