

GARANTEES OF ORIGIN WILL PLAY AN IMPORTANT ROLE IN THE ENERGY TRANSITION

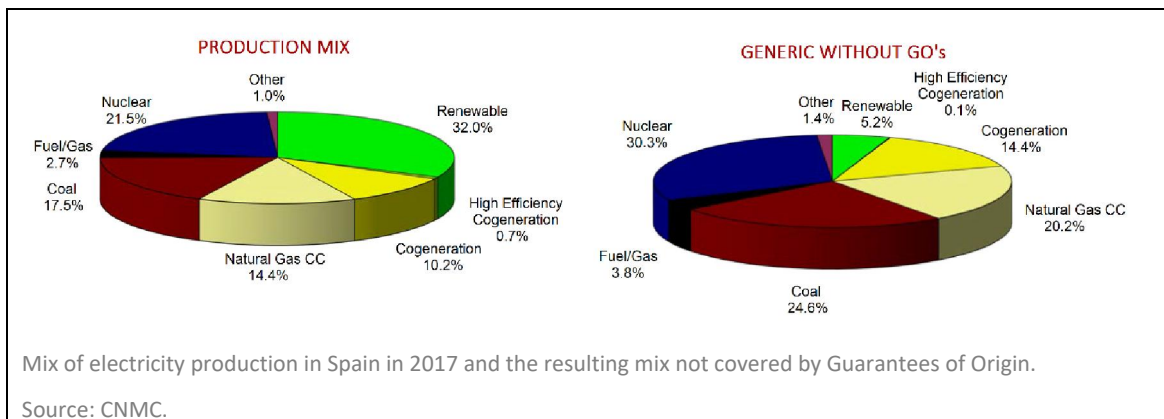
AleaSoft, November 14, 2018. Planned and designed at European level to be an incentive to the development of renewable energies, the Guarantee of Origin system begins to gain importance with the increase of its demand and its price. According to AleaSoft, the price of certificates will tend to rise and will be important in the development of new renewable projects.

Renewable energy producers can apply to the CNMC for a certificate of the energy generated. These certificates show that those kWh were generated from renewable energy sources. There are also Guarantees of Origin for high efficiency cogeneration. These certificates can be transferred to electricity retail companies so that they can justify to their customers the renewable origin of the energy supplied.

Guarantees of Origin were conceived as a tool to provide transparency and guarantee the origin of the electricity generated, and thus encourage the development of renewable technologies. Based on the European directive that mandated the states to ensure that "the origin of electricity produced from renewable energy sources can be guaranteed as such according to objective, transparent and non-discriminatory criteria", each country of the European Union has regulated the issuance and transfer of Guarantee of Origin certificates.

In 2017, the CNMC issued Guarantees of Origin for 76,683 GWh from renewable sources and 1,803 GWh for high efficiency cogeneration, 81.2% of which were transferred to marketers to cover all or part of their retailed energy.

The mix of energy sources of each retailer will depend on the fraction of their energy covered with the certificates received. With the rest of the energy produced and not covered by Guarantees of Origin, the CNMC calculates a generic mix for the rest of the retailers.



In Spain, the issuance of Guarantees of Origin by the CNMC is free of charge, but the regulation does not allow renewable facilities that receive state subsidies to profit from their transfer. Consequently, in Spain the market of Guarantees of Origin has been traditionally unattractive and with prices of few cents of euro per MWh, very low compared with other European countries where the prices were around 0.20 - 0.30 €/MWh. But this has been changing as there are more renewable plants to market without economic incentives and with the affiliation of the CNMC to the AIB (Association of Issuing Bodies) that manages the trade of Guarantees of Origin in Europe. According to **AleaSoft**, the Guarantees of Origin will have an important role as an incentive in the new renewable projects since their price will tend to increase in the coming years.

But not everybody thinks that the Guarantees of Origin system is perfect. Its detractors denounce that it is usually used in a deceptive way to confuse the consumer about the origin of the electricity that physically arrives at its meter. Since the issuance and acquisition of certificates does not influence the pool energy mix, which will only depend on the availability of renewable resources at each moment, it is implied that it does not encourage the installation of more renewable power.

What is certain is that the Guarantees of Origin provide transparency for the consumers that allows them to know the environmental impact associated with the energy consumed, and provides more resources to choose the retailer. In addition, for the market, it represents an indication of the demand that exists among consumers to be supplied with renewable energy. And we are not only talking about domestic consumers who are aware of climate change. Since major consumers of electricity such as Google, Facebook and Apple began to announce that they would work to make their electricity consumption 100% from renewable sources, a "green wave" worldwide is leading large companies to also propose a total green electricity consumption. And this "green wave" will continue to spread in cascade as these companies begin to also ask for green certifications to their suppliers. All this has already made the demand for Guarantees of Origin to grow and, consequently, also their price, which, according to **AleaSoft**, will continue to rise in the medium and long term.

For **AleaSoft**, the current scenario presents a future where Guarantees of Origin are going to play an important role in the Energy Transition, thanks to the new renewable projects to meet the emission reduction objectives and the increasingly widespread awareness of consumers and retailers about the environmental impact of electricity production.