

## Core Theme 5

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# Guarantees of Origin and Disclosure



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# 1 In a Nutshell

Core Theme 5 on Guarantees of Origin and Disclosure has proven to be very helpful in the implementation, at Member State level, of Article 15 of the RES Directive and in embedding the issue of Guarantees of Origin in the wider issue of Electricity Disclosure.

Guarantees of Origin (GOs) are meant for electricity disclosure. Therefore, after focussing mainly on implementation of the GO itself during CA-RES I, CT5 participants focussed on the interplay between GOs and the issue of electricity disclosure during CA-RES II.

Apart from sharing best practices and different experiences with regards to the implementation of GOs through numerous presentations by participants, CT5 participants discussed amongst others the following important topics:

- The existing list of information items that should be covered by a GO, whether these cause any difficulties of understanding and how to solve this in a harmonised way.
- The problems that arise from not having a sound disclosure system in place, e.g. by allowing different approaches within or between countries to be used, which in the end do not lead to a trustworthy disclosure of electricity.
- The condition that a disclosure regime should be existing for GOs to be exported.
- The connection between GOs and Disclosure in general and particularly the fact that in several European countries national regulations by now create the opportunity to issue GOs for all energy sources.
- The issue that a more coherent disclosure of electricity within the internal market could only be achieved by a more harmonised approach when disclosing energy sources that did not achieve a GO. For this purpose, the usage of the European Attribute Mix has been proposed. Alternatively, by expanding the issuance and usage of GOs to all energy sources, the portion of the 'mix' could diminish significantly.
- The usage of the GOs by a large and growing part of the market (corporations that is more and more inclined to use GOs for the purpose of making statements related to carbon disclosure (carbon footprints). For electricity disclosure as well, a statement on the carbon content of the electricity used is mandatory. Participants of Core Theme 5 therefore discussed the question whether and if so how the GO could be connected to this issue in a sound way.

*For the first as well as the last issue mentioned, a Task Force has done a lot of work to prepare discussions and write draft conclusions to be discussed during the plenary meetings.*

The results of our discussions, which can be found in more detail below, are of relevance not only to the participants who are responsible for national implementation of GOs and/or Disclosure in their country, but have also proven to be valuable in discussions with e.g. the Association of Issuing Bodies (AIB), which brings together the national bodies responsible for GOs.

## 2 Topic in the Spotlight

As mentioned before, participants have been discussing GOs within CA-RES II with an explicit linkage to Electricity Disclosure. As GOs are meant for electricity disclosure (according to what has been laid down in Article 15 of the RES-Directive), we cannot look at GOs and not consider the consequences a specific disclosure regime has (e.g. related to the issue of double counting of renewables which should be prevented).

During CA-RES I and II, this issue has been originally touched upon by several presentations we received from people involved in the IEE-project RE-DISS II. Participants discussed the outcomes of this project and they learned that most European countries currently have a disclosure regime which in itself is making sense. However, this is not leading to disclosure of electricity on a European scale which is coherent with the internal market.

*Due to different national approaches and the fact that not all renewable energy sources so far receive a GO (as some countries are making use of the exempt clause in Article 15) as well due to the fact that cross-border flows of (non-renewable) electricity are not taken into account in a harmonised way when disclosing electricity to final consumers, the end result may be the double counting of (renewable) electricity.*

The sole function of a GO is electricity disclosure as the RES Directive (2009/28/EC) puts it. As a result of this fact, CT5 participants wondered what the consequences of not having a disclosure regime in place would be. After discussing this issue in depth, participants came to the following conclusions:

The decision on recognition of GOs issued by another Member State lies within the sole responsibility of the Member States. It is clear, however, that double counting of renewable energy is to be prevented. Not having a disclosure system in place is surely not reliable as it does not prevent double counting from happening. Additionally, there is an obligation to have a disclosure system in place (IEM directive 2009/72/EC).

As GOs are meant for disclosure, Member States that do not have a national disclosure regime in place, but have already introduced GOs (which can be traded internationally), does not make much sense.

CT5 participants therefore advised the Association of Issuing Bodies to set a requirement that states that legislation on disclosure is in place before the HUB-connection is realised.

Furthermore, CT5 participants discussed and looked into the issues related to a trustworthy disclosure. In many countries, disclosure is currently based on GOs as well as on other (reliable) tracking systems. To prove the origin of electricity without a GO, many countries are using statistical figures (e.g. the national production mix). Core Theme 5 participants also observed that detailed regulation regarding the disclosure process may or may not be in place, depending on country.

Regarding this issue it is interesting to look at the outcome of a questionnaire sent to participants prior to one of the first CA-RES II meetings:

Ten participants stated that the process of disclosure has been regulated in a very detailed way; whereas eleven would rather state that it is arranged 'using broad guidelines only'. Finally, one or two of the respondents signal that a specific country does not yet have any regulation on the disclosure issue.

The overall conclusion looking from a European perspective is that different regulations do cause leakage (double counting) and do also produce non comparable outcomes. Therefore, a common approach is necessary. During the course of the CA-RES II project, CEER (the Council of European Energy Regulators) also issued some recommendations regarding this aspect.

Guided by the discussions and the outcome of the RE-DISS project as well as the CEER document, CT5 participants came to the following conclusions and recommendations:

1. When disclosing the origin of electricity for which no GO has been issued, one should use the European Attribute Mix (EAM). Many European countries already do so.
2. To create trustworthy disclosure within the European energy market more harmonisation is needed regarding:
  - the disclosure reporting period
  - all the subsequent steps to be followed within the disclosure procedures including a harmonised timeframe for these steps
  - the deadline for publication of the disclosure statement
3. It is of utmost importance that the European Attribute Mix is continued as long as there is not a situation of 'full disclosure' (meaning: GOs for all energy sources) at which time the importance of the Attribute Mix will naturally diminish. Therefore, participants requested AIB to take on the responsibility to do these calculations after the end of the RE-DISS project.
4. Obligatory issuing and cancellation of GOs for all energy sources would lead to a situation that diminishes the uncertainty about the energy source of electricity that is being sold to final customers and would greatly enhance the effectiveness and efficiency of the disclosure system.

## 3 Challenge Meets Solution

### 3.1 Highlights from the Discussions

Within the first part of the CA-RES II project, CT5 gave high priority to finalizing the discussions already started in CA-RES I about the necessity of a common EU standard and a joint infrastructure, to facilitate the efficient exchange of GOs between European countries as prescribed by Article 15 of the RES Directive. To facilitate recognition of GOs issued by another Member State, it makes sense to look at the options for a joint cooperation within AIB and strive for usage of the AIB-HUB, if only because the AIB EECS Standard has been the only de facto standard on GOs that has been used by several Member States since 2001.

Also (in general on their explicit request) some policy guidance about a common European approach has been given to AIB by CT5 participants. This guidance related to several topics that have not been described in detail by the Directive and that, therefore, had partially been solved by AIB through the EECS Standard (whereas other topics were still being debated as AIB Members had difficulty to agree on a common approach). One example is the guidance that in the view of participants of CT5 ‘contracts for future use’ should not be accepted in principle, as this will lead to market distortion and as it is not in line with the 12 month lifetime of a GO that has been clearly set by the Directive. Another example is the thorough review by CT5 of AIB’s implementation of the clause ‘whether and to what extent support has been received’. Participants of CT5 concluded that the AIB approach, i.e. registering solely what type of support has been received, albeit not going into detail regarding the extent of support itself, has to be valued as the most workable approach. Participants also pointed out, however, that Member States should make sure that the latest information on support (schemes) is available to AIB and its members (and through AIB to the GO market) and that this information is regularly updated as the AIB members are, in most cases, not the national competent authority that deals with issues of support.

*Though participants focussed on the issue mentioned in detail in the above paragraphs, they also discussed a lot of other topics in the meetings, many times on the basis of information that has been made available through a presentation by an external speaker to kick off the debate.*

Examples of external parties that presented to us are: EEX (the German Power Exchange) on the growing international trade of GOs, some of the project partners of the RE-DISS II project (please see also below) and also the Council of European Energy Regulators (CEER). Representatives of CEER discussed these issues with us and gave a presentation on the preliminary findings of a CEER Task Force that by now has published a guidance document on disclosure towards final customers.



Preparing for internal discussions on GO, Disclosure and the issue of Carbon figures, a representative from the Carbon Disclosure Project (CDP) held a presentation. CDP drew our attention to the fact that the main driver for businesses to ask for GOs is related to Carbon and the Carbon Footprint of specific energy sources rather than about the energy sources as such. CT5 participants also listened to a presentation by the European Consumer Organisation (BEUC). BEUC represents the interests of consumers, being the umbrella group for European consumer organisations. BEUC gave us a sneak preview of a report on demand drivers and other topics that are of interest to households consumers of renewable energy in Europe. One of the main insights that came out of this for participants was that we should stay focussed on explaining the connection between GOs, the internal energy market and electricity disclosure to consumers. Article 15 of the RES Directive cannot be looked at on its own, but should be looked at from the point of view that we have created one European internal market, for electricity as well as for GOs. This is something completely different of course, different from looking at e.g. targets or the national production mix of Member States. Participants discussed several times the issues that arise from the fact that a strictly national implementation of electricity disclosure does not create a coherent approach when connecting it to the concept of the internal energy market. We need to acknowledge that electricity within the internal market framework is being produced, traded and used across borders (and this is not only the case for the energy of which the origin has been guaranteed by a GO, but also for the other energy sources that are sometimes not tracked at all). Given that situation, a disclosure system based to a large extent on national (or local) production does not make sense.

Most participants acknowledged that when looking at disclosure and potential barriers for changing national disclosure regulations as to strive for a more harmonized approach there seems to be a lacking sense of urgency to change the existing regulations (i.e. maintenance of the status quo is more common). Disclosure does not seem to be a topic that is on the agenda. However, the dilemma of differing national regulations that counteract with the internal market for GOs can only be solved in a truly joint effort.

Furthermore, some CT5 participants stated that all in all the issue is currently too complex; some stated explicitly 'even when taking RE-DISS recommendations into account'. Another issue that has been raised is that 'different (national) authorities are involved and distribution of responsibilities might be unclear'. Some others stated: 'no specific authority is responsible for any such decision or its implementation'.

Regarding the issue whether and if so how the GO could be connected to carbon figures more directly and in a sound and trustworthy way, participants came to the following conclusions:

- Participants observed that no methodology on emissions as required by the electricity disclosure statement (Article 3.9 of the IEM Directive, 2009/72/EC) has been established.
- Most participants agreed it is not necessary to put the emission figures on a GO for carbon disclosure to work.
- Furthermore, participants observed that currently there is no harmonised approach for calculating CO<sub>2</sub> emissions to be used for disclosure in the common electricity market.
- In the CT5 discussions, there was wide support for the statement that a harmonised methodology would be preferable, but some participants thought it should not be discussed further. Several options exist for a methodology making use of plant-specific emission factors or fuel-specific emission factors.
- It was stated that a harmonised methodology could be developed by an existing organisation. But the question is how and where such a methodology should best be discussed in the future.

## 3.2 Good Practices

During the meetings of CA-RES, a lot of time was invested in sharing best practices and to debate options to have these practices adopted by more countries. Sometimes, CT5 participants also discussed options or solutions for cases in which current national legislation deviates from 'the most common approach' as to achieve at least the goal that this situation will not lead to incoherent data when comparing disclosure figures based on the currently applicable national regulations with the goal to prevent double counting of (renewable) energy in the internal market.

One fine example of a best practice could be found in the presentation to participants done by some countries that (with the full support of the energy sector) introduced a solution that prevents double counting of (renewable) energy and that creates a maximum of transparency as well as free choice for consumers by designing its disclosure regime in such a way that a GO can be used for every energy source (not just for renewables). In doing so, the need for a rather complex calculation of a residual mix (being the amount of untracked electricity that is lacking a Guarantee of Origin) is reduced.

*In general, a lot of information has been shared between participants of CT5 on differing approaches, best practices and interesting developments within Member States and other European countries, e.g. through presentations about specific national implementations of GO and Disclosure, but also through group discussions as well as bilateral exchange of views.*

## 4 Main Findings and Achievements

Over the course of three years, the Core Theme on Guarantees of Origin and Disclosure discussed numerous topics, some of which have led to a very clear and practical achievement.

- CT5 participants went through the existing list of information items, which should be covered by a GO, and looked at whether these cause any difficulties of understanding and how to solve these issues in a harmonised way. Some of it has been implemented within the AIB EECS Standard.
- The condition that a disclosure regime should be existing for GOs to be exported has been discussed (please see also Chapter 2) and is now implemented by AIB, which has set the requirement that legislation on disclosure should be in place before HUB-connection is realised.
- Furthermore, CT5 participants discussed the issue that a more coherent disclosure of electricity within the internal market could only be achieved by a more harmonised approach also when disclosing energy sources that did not achieve a GO.
- To create trustworthy disclosure within the European energy market more harmonisation is needed regarding:
  - the disclosure reporting period
  - all the subsequent steps to be followed within the disclosure procedures, including a harmonised timeframe for these steps
  - the deadline for publication of the disclosure statement
- When disclosing the origin of electricity for which no GO has been issued one should use the European Attribute Mix (EAM). Many European countries already do so.
- It is therefore of utmost importance that the European Attribute Mix is continued as long as there is not a situation of 'full disclosure' (meaning: GOs for all energy sources) at which time the importance of the Attribute Mix will naturally diminish. After several discussions with CA-RES participants (especially the Task Force created for the purpose of liaising with them on policy issues), the Association of Issuing Bodies agreed to take care of calculating this Attribute Mix for the years to come.
- The problems that arise from not having a sound disclosure system in place, e.g. by allowing different approaches within or between countries to be used, which in the end do not lead to a trustworthy disclosure of electricity, have been addressed. This, however, can only be solved by drafting new regulations on a national or European level.

- The connection between GOs and Disclosure in general and particularly the fact that in several European countries national regulations create the opportunity to issue GOs for all energy sources has been discussed as a good practice example of a transparent and trustworthy disclosure system.
- Striving for obligatory issuing and cancellations for GOs for all energy sources would lead to a situation that diminishes the uncertainty about the energy source of electricity that is being sold to final customers and would thus greatly enhance the effectiveness and efficiency of the disclosure system. Expanding the issuance and usage of GOs to all energy sources (preferably in a truly ‘concerted action’ by all Member States) however, is something that has yet to materialise.

## 5 Abbreviations

Abbreviation	Meaning
AIB	Association of Issuing Bodies
BEUC	Bureau Européen des Unions de Consommateurs – European Consumer Organisation
CA-RES	Concerted Action on the Renewable Energy Sources Directive
CA-RES I	Phase 1 of the Concerted Action on the Renewable Energy Sources Directive
CA-RES II	Phase 2 of the Concerted Action on the Renewable Energy Sources Directive
CDP	Carbon Disclosure Project
CEER	Council of European Energy Regulators
CT5	Core Theme 5 of the CA-RES II
EAM	European Attribute Mix
EECS	European Energy Certificate System
EEX	German Power Exchange
EU	European Union
GOs	Guarantees of Origin
IEE	Intelligent Energy Europe programme
IEM	Internal Electricity Market
RE-DISS	Reliable Disclosure Systems for Europe, a project supported by the Intelligent Energy Europe (IEE) programme of the European Commission
RE-DISS II	Reliable Disclosure Systems for Europe (part II), a project supported by the Intelligent Energy Europe (IEE) programme of the European Commission
RES	Renewable Energy Sources

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