

GUARANTEES OF ORIGIN – CASE STUDY THE CZECH REPUBLIC

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GUARANTEES OF ORIGIN - RES ACT (165/2012 COLL.)

- ! Transposition of EU Directive 2018/2001 (RED II) deferred effective from 1.1.2023:
 - ! § Section 44 - Section 45c sets new conditions for the issuance, registration and recognition of guarantees of origin and extends the ability to issue guarantees of origin to **electricity, heat, nuclear heat, other and advanced biomethane and hydrogen**.
 - ! 4) The guarantee of origin of heat is issued for the quantity of heat that has been produced in the Czech Republic by a heat producer or a nuclear heat producer and delivered to the heat distribution facility of the heat energy supply system or delivered to the customer directly from the heat energy production plant during a period of one calendar month.
 - ! § Section 45a(9) **introduces a new obligation for the ERO, to set the price of GO „market value” in the PD**. A fixed amount of the "price of the guarantee of origin" or a method for its determination (e.g. a formula).
 - ! The price for issuing the guarantee of origin, the price for transferring the guarantee of origin, the price for keeping the account in the register of guarantees of origin ("administrative").
 - ! **Price or method of pricing the guarantee of origin** - this provision applies to all energy except advanced biomethane (electricity, heat, other biomethane and hydrogen).
 - ! **The price for the transfer of advanced biomethane guarantees of origin includes the value of the advanced biomethane guarantee of origin.**

GUARANTEES OF ORIGIN - RES ACT II

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- / § Section 45a(10) **introduces a new obligation for producers receiving financial support from a public aid scheme to pay the price of the guarantee of origin to the market operator.**
- / § Section 28(1)(f) extends the range of revenue for the financing of aid to include the proceeds from the issue of guarantees of origin under Section 45a and the proceeds from the offer of guarantees of origin under Section 45c.

GUARANTEES OF ORIGIN – RES ACT III

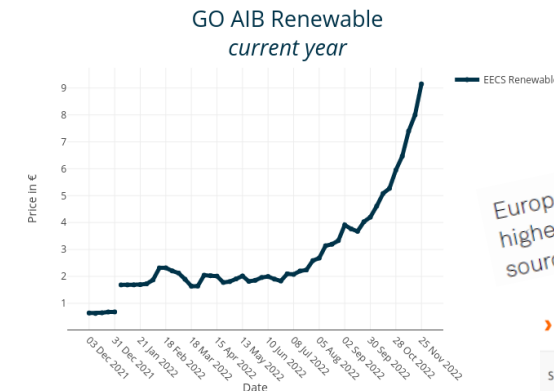
Compliance with the sustainability criteria of § 45 - condition for the issuance of the guarantee of origin

- Paragraph 6 Where **biomass fuels** are used for **electricity** generation or **heat** production in production plants with a total rated thermal input of at least **20 MW** in the case of **solid biomass fuels** and with a total rated thermal input of at least **2 MW** in the case of **gaseous biomass fuels**, the **condition for issuing a guarantee of origin shall be compliance with the sustainability criteria** according to the implementing legislation.
- Paragraph 7 **The condition for issuing a guarantee of origin for biomethane shall be compliance with the sustainability criteria** under the implementing legislation. The guarantee of origin for biomethane **shall be issued separately for advanced biomethane and for other biomethane.**

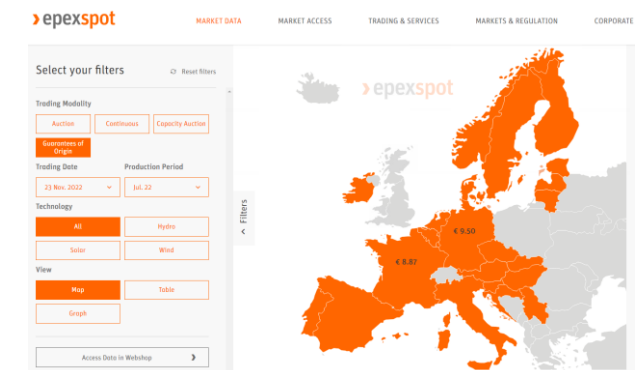
PRICING DECISION

Pricing Decision No. 9/2022 of 29 September 2022 setting the price for the activities of the compulsory purchaser and the prices associated with guarantees of origin 2023.

| Prices associated with guarantees of origin CR 9/2022 Coll. | |
|--|----------------|
| Price for issuing the guarantee of origin | 1,25 CZK/MWh |
| Price for transfer of guarantee of origin within the Czech Republic | 0,68 CZK/MWh |
| Price for transferring a guarantee of origin from or to another EU Member State | 0,68 CZK/MWh |
| Price for maintaining an account in the register of guarantees of origin | 100 CZK/month |
| Price of the electricity guarantee of origin | 35 CZK/MWh |
| Heat origin guarantee price | 15 CZK/MWh |
| Price of the guarantee of origin of biomethane, except for advanced biomethane | 400 CZK/MWh |
| Advanced Biomethane Origin Guarantee Price | 800 CZK/MWh |
| Price for the transfer of the Advanced Biomethane Guarantee of Origin including the value of the Advanced Biomethane Guarantee of Origin | 800,68 CZK/MWh |
| Hydrogen Origin Guarantee Price | 800 CZK/MWh |



European renewable guarantees of origin were sold at even higher levels Nov. 28, with values approaching Eur10/MWh, sources said.



GUARANTEES OF ORIGIN - DIFFERENT APPROACHES

The approach varies depending on the energy involved and whether and how generation is supported:

§ 45a (10) An energy producer that has received investment support for a given power plant after the entry into force of this Act or the given power plant is registered in the system of the market operator at the time of the application for the issuance of the guarantee of origin with a form of electricity support, the amount of which has not been determined in an auction pursuant to this Act, biomethane operating support or heat support pursuant to this Act, shall be obliged to pay the market operator the price for the issuance of the guarantee of origin and the price of the guarantee of origin when the guarantee of origin is issued.

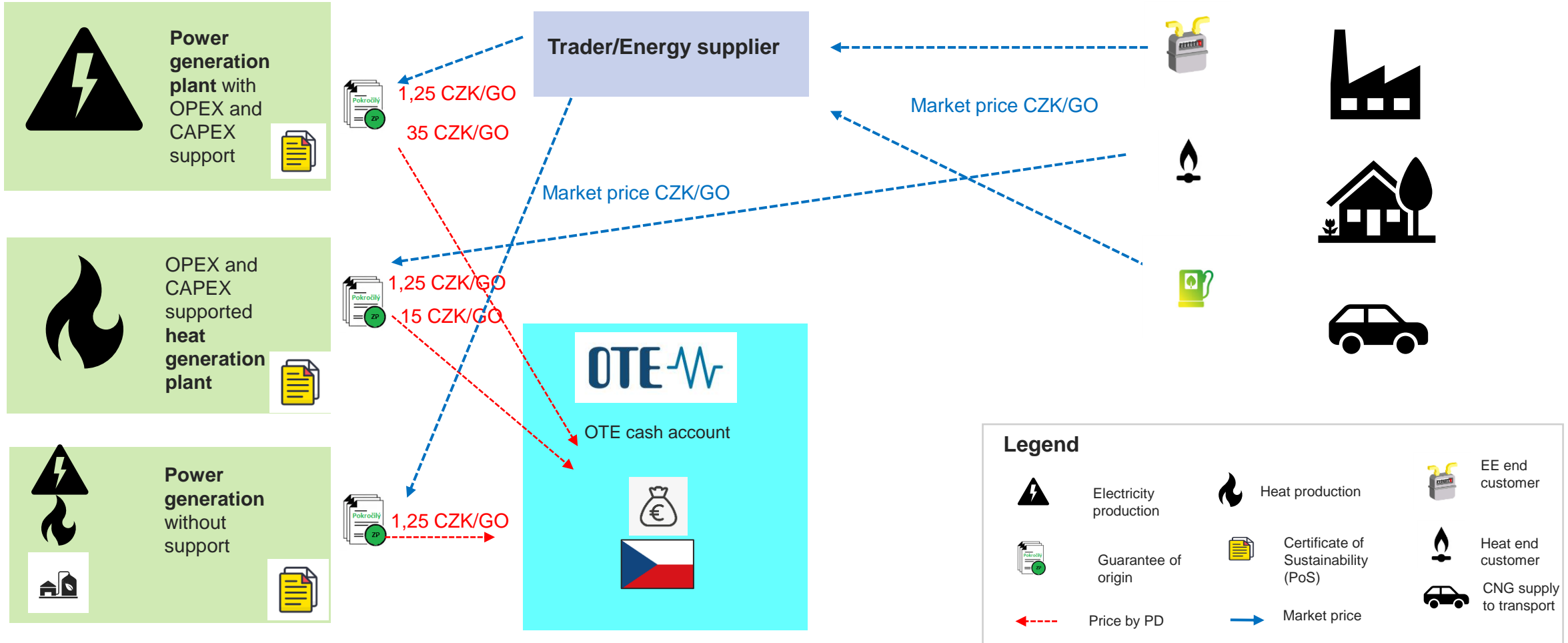
/ GO on energy without support:

- / The GO is issued directly to the producer**, who can then trade them in the market environment,
- / The producer pays OTE the prices set out in the PD ERO:**
 - Administrative costs only (account management, issuance, transfer...).

/ GO for electricity, heat, hydrogen and other biomethane (investment and operationally supported) and advanced biomethane (investment supported only)

- / The GO is issued directly to the producer**, who can continue to trade them in the market environment
- / The producer pays OTE the prices set out in the PD ERU:**
 - Price for GO by commodity,
 - Administrative costs (account management, issuance, transfer...).

PAYMENTS FOR GUARANTEES OF ORIGIN



GO FOR ADVANCED BIOMETHANE (WITH SUPPORT)

- 1 **The producer loses the right to the GO for advanced biomethane** (§ 45c(1)), but retains the right to the GO for other biomethane,

*§ 45c (1) A biomethane producer who has registered biomethane support in the form of green biomethane bonuses shall not be entitled to a guarantee of origin for advanced biomethane. **The market operator shall issue the guarantee of origin referred to in the first sentence and record it in a separate market operator account.***

- 2 **Transport gas supplier has priority allocation of advanced biomethane GO** (§ 45c(3))

§ 45c (3) The market operator shall be obliged to allow the transfer of guarantees of origin of advanced biomethane recorded in the market operator's separate account preferentially in favour of gas suppliers that supply natural gas and biomethane for consumption to filling stations or dispensing units, in proportion to the share of gas suppliers in the total supply of natural gas and biomethane that does not include liquefied natural gas and/or liquefied biomethane to filling stations or dispensing units in the Czech Republic.

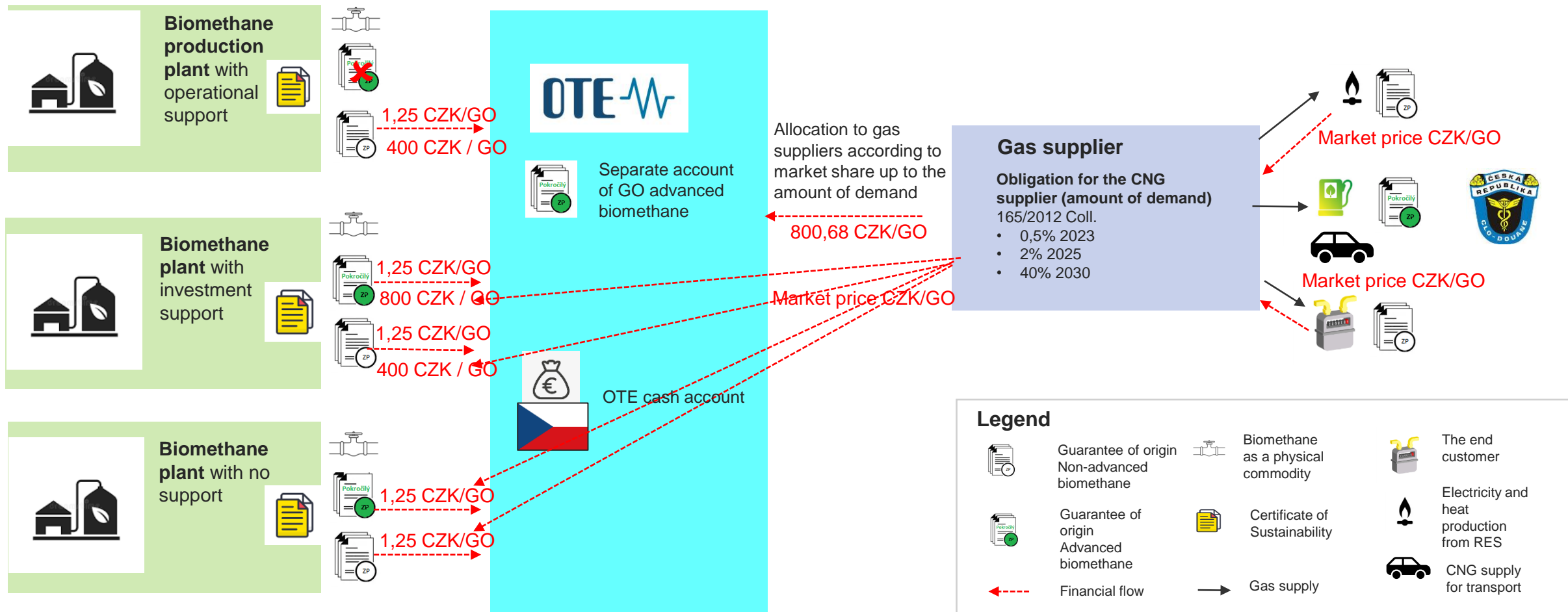
- 3 **The maximum extent of the priority allocation is set by the OTE** (§ 45c(4))

§ 45c (4) The market operator shall be obliged to allow the priority transfer of guarantees of origin pursuant to paragraph 3 to a maximum extent of the total amount of natural gas and biomethane supplied for consumption of natural gas and biomethane pursuant to paragraph 3. Other guarantees of origin registered in the market operator's segregated account shall be offered by the market operator for transfer to other account holders at the transfer price of the advanced biomethane guarantees of origin including the value of the advanced biomethane guarantee of origin.

- 4 **The supplier of gas for transport (account holder) is obliged to pay the price of the GO** (§ 45a (6)) as set in the CR

§ 45a (6) The account holder, with the exception of the market operator, shall be obliged to pay the market operator the price for the issuance of the guarantee of origin, the price for the transfer of the guarantee of origin and the price for the maintenance of the account in the register of guarantees of origin, the price of the guarantee of origin and the price for the transfer of the guarantee of origin of advanced biomethane, including the value of the guarantee of origin of advanced biomethane.

PAYMENTS FOR GUARANTEES OF ORIGIN FOR BIOMETHANE



Source: adapted from the presentation of the Biomethane 6 working group (MIT ČPS)

DECREE 328/2022 COLL.

Decree on Guarantees of origin of **energy**:

- // Effective from 1.1.2023
- // Subject of the decree:
 - // registration of production facilities,
 - // the scope of the data to be transmitted,
 - // procedures, terms and conditions for issuance and transfers,
 - // the requirements of the application,
 - // methods of transferring guarantees of origin,
 - // rules for the transfer of guarantees of origin of advanced biomethane and the method for determining the share for transport gas suppliers.
- // It now enables automatic issuance and automatic transfer of GO on request.
- // **The GO includes an ID of (PoS)** - document indicating that the sustainability criteria and greenhouse gas savings have been met.
- // OTE will start to issue GOs for heat and biomethane from May 2023 but for energy delivered from 1.1.2023.

SUM UP

- // GOs can be issued for all type of electricity, heat (RES), heat from NPPs and biomethane (advanced and other).
- // The supported producer (operational / investment) is now obliged to pay the price of the guarantee of origin, this price is set on an annual basis by the ERO.
- // A bio-methane producer with operational support does not have the right to a guarantee of origin for advanced biomethane. The GOs are issued to a special account of OTE and then allocated to transport gas suppliers at a price set on an annual basis by the ERO.
- // The GO includes an ID of (PoS)

THANK YOU FOR YOUR ATTENTION

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