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# Renewable Energy Newsletter

**Bucharest, July 2013**

## Nuclearelectrica Restarts Reactor nr 2 After Overhaul

Cernavoda's second reactor was shut down on May 10 for maintenance works. The plant operates two reactors of 700 megawatts power each. The government plans to build two additional nuclear reactors with similar capabilities in Cernavoda, but the project was put off after several key investors withdrew from the project.

## Romania Puts Off Granting Part Of Green Certificates To Energy Producers.

The measure will be valid until March 2017 for hydropower units and photovoltaic power stations, and until 2018 for wind plants. It will be implemented through an emergency ordinance adopted by the Government.

The measure aims to reduce temporarily the number of green certificates granted to renewable energy producers to rein in electricity price increases. The ordinance stipulates a temporary suspension, starting July 1, 2013, in the granting of a certain number of green certificates for each megawatt of energy produced in new micro hydropower plants with installed capacity lower or equal to ten megawatts (one green certificate), by wind turbines (one green certificate) and by solar parks (two green certificates). The act also says that only four green certificates will be granted for photovoltaic power stations.

Romania currently grants six green certificates for each megawatt of energy produced by solar power producers, two certificates for new wind turbines and three certificates for the energy produced in micro hydropower plants.

Romanian producers of renewable energy benefit from government support via a green certificates scheme, which allows them to recover part of the production costs. Each renewable energy producer is granted a number of green certificates for power fed into the electricity grid.

The subsidies, which are eventually passed into consumers' electricity bills, are not available for producers of conventional energy.

## INS: Romania's Power Output Down 6.1% on Year In January-April

Thermal energy output declined 20.3% on the year to 9.24 billion kilowatts hour, while nuclear power production inched down 1% to around 4 billion KWh, the statistics institute INS said.

Hydropower production rose 26.1% on the year to 5.1 billion KWh in January through April, while wind farm output more than doubled to 1.82 billion KWh.

Romania's primary energy resources fell 12.1% on the year to almost 10 million tons of oil equivalent in the January-April period, the data showed. Electric energy resources were down 3.3% to 20.4 billion KWh, largely due to a 2% decline in production.

Romanian final power consumption reached 17.2 billion KWh in the first four months of the year, down 3.7% from the same period of 2012. Public illumination fell 8.6% on the year, while household consumption was down 1.3%.

Electric energy exports declined 10.3% year-on-year to 440.6 million KWh in the first four months of 2013.

## Austrian Verbund Inaugurates 225 MW Wind Farm in Romania

Casimcea wind farm, one of Europe's largest onshore wind farms in operation, is expected to reach a capacity of 280 MW by 2016. Total investment in the project has reached so far EUR380 million.

The wind farm's 88 turbines can generate approximately 540 GWh of electricity a year, enough to power approximately 350,000 households

## Verbund: We Could Discard Projects Of Around EUR 100M

The Austrian company has already invested EUR 380 million on wind projects in Romania and it is too late now to back out of these investments. We have done them. What can we do now? Remove them?, said the Company.

Verbund's official announcement on the stage of the Casimcea investment came shortly after the Government approved the draft emergency ordinance to modify the green energy support scheme ruled by Law 220/2008.

Originally our project entailed a second development stage, of 57 MW. With just one green certificate, we will not make this investment said the Company. Considering the value of the investment in the 225-MW project, Verbund spent around EUR 1.7 million per each MW of installed capacity. So an investment in the additional 57 MW could amount to around EUR 96 million.

The Government recently approved the emergency ordinance modifying the support scheme for green energy in its meeting early last week.

The modification of the support scheme was mainly demanded by the industry, which threatened to reduce or even shut down activity because of the impact that green certificates have on the bills.

The population has also fully felt the effect in terms of higher bills – they have become around 30% more expensive in one year's time especially because the cost of green certificates has been included in the bills.

## Revised Green Energy Support Leaves Out Exemption For Large Consumers

The emergency ordinance cutting part of the green certificates granted to producers of renewable energy which was published in the Romanian Official Journal, no longer includes a clause that would allow large electricity consumers to pay half of the green certificates for the electricity consumed. The provision was replaced with a vaguer paragraph which states that an unspecified quantity of the electricity delivered to final consumers might be exempted from the current law on renewable energy support, subject to a series of terms. The conditions of exemption, as well as the exempted quantity will be approved by government decision and will be subject to separate regulations set by the energy authority ANRE, following authorization from the European Commission, the government said in its emergency ordinance.

Romanian producers of renewable energy benefit from government support via a green certificates scheme, which allows them to recover part of the production costs. Each renewable energy producer is granted a number of green certificates for power fed into the electricity grid. The certificates are then sold to power companies, which eventually pass the costs onto consumers.

## Green Energy Market Still Alluring, Despite Law Amendments

"Investors are still satisfied and they think Romania remains profitable," said Cristina Petrescu, an Audit Partner at TPA Horvath Romania. "We believe the recent modifications to the renewable energy support scheme are justified."

Romanian producers of renewable energy benefit from government support via a green certificates scheme, which allows them to recover part of the production costs. However, the government last week decided to reduce temporarily the number of certificates granted under the scheme, triggering protests from investors, who threaten to abandon their projects.

"The income from green certificates constitutes 55% of the total income of a wind farm. As long as the business remains profitable, I do not believe that the investors have any reason to leave," said Claudia Stanciu, Accounting and Tax Partner with TPA Horvath Romania.

Romania ranked fifth in Europe based on newly installed wind capacity, with an additional 923 MW installed, behind Germany (2,415 MW), Great Britain (1,897 MW), Italy (1,973 MW) and Spain (1,122 MW)," the "Wind Energy and Other Renewable Energy Sources in Romania, a report showed.

## EBRD May Grant EUR 96.6M Loan for Wind Farm Construction In SE Romania

The 42 turbines will be located in the municipalities of Dorobantu, Topolog and Casimcea in the Tulcea region, the bank said in a statement. The project, whose overall cost reaches EUR137.9 million, will support Romania in increasing its renewable energy capacity to meet EU's green energy targets, the statement reads.

Land Power is a limited liability company incorporated in Romania and it is 100% owned by LUKERG Renew GmbH, a renewable energy development company incorporated in Austria. LUKERG is a 50-50 joint venture between Russian energy company LUKOIL-Ecoenergo (100% owned by LUKOIL) and Italian energy company ERG Renew SpA.

Lukerg Renew bought last year the 84 MW project from Italian company Inergia. The company announced ever since last year that it was in talks with the EBRD as regards getting financing for the construction of the wind farm.

## Tinmar-Ind Invested EUR80M in Photovoltaic Projects

Many consumers are looking at your buying portfolio. It is one thing to buy (electricity i.e.) from other entities and having your own generation operation is a different thing. You no longer sell somebody else's stuff, you sell your own," says businessman Augustin Oancea, Tinmar-Ind's owner explaining why he chose to expand into power generation.

Tinmar-Ind is the Romania's largest private energy trader, accounting for 5.81% of the competitive market in 2012, according to the market regulator ANRE data.

The company buys power from producers such as Complexul Energetic Oltenia (Oltenia Energy Complex – which generates electricity using coal), Nuclearelectrica and Hidroelectrica and sells it to consumers like Automobile Dacia, Doosan IMGB and real estate developer NEPI.

Tinmar-Ind supplied 1.4 TWh of electricity or 2% of the country's consumption last year and posted EUR311 million revenue.

Augustin Oancea says the purpose of solar PV investments was to diversify the energy sources and protect his business against price fluctuations on the market.

The company has recently connected an 18.5 MW solar farm to the grid, the largest in operation in Romania at the moment. The farm is located in Bucsani town of Giurgiu County (southern Romania) and required a EUR30 million investment, the company official said.

Tinmar will complete another solar farm, this time with a capacity of 20 MW in Gorj County (south of the country again but west of Giurgiu County) in two weeks. It already owns a solar farm in this county and one near Craiova. All these solar PV investments will take Tinmar-Ind's capacity to 50 MW. At an average cost per megawatt of EUR1.6 million euros, its solar power investments so far should amount to about EUR80 million.

## Wind Power: Costs and Generated Revenue

An average wind farm in Romania has a capacity of 50 MW, way above the European average, due to the low population in rural areas in Dobrogea (SE Romania), the region boasting the best wind in Romania.

A farm of this size generates annual revenues of between EUR 8 and EUR 9.6 million, according to the new support scheme. Although bureaucracy is extensively debated in Romania, statistics in this respect show that Romania is among the top countries in the wind energy sector, with access to the grid taking much less than the European average.

Last year Romania became the country with the largest onshore project after Czech group CEZ finalized the installing of the 240 turbines in the Fantanele-Cogealac farm, with a capacity of 600 MW, which cost EUR1.1 billion.

This year it is estimated that a further 617 MW will be installed in wind projects, which means investments of over EUR900 million. So in total the wind industry will attract over EUR3.6 billion between 2010 and 2013 to install a capacity of around 2,500 MW.

The acquisition of the turbine is the most important part in the structure of the investment cost, accounting for 50% to 75% of the investment spending. The average cost per MW in installing a wind turbine is around EUR1.5 million. So a farm with an average size of 50 MW will cost around EUR75 million.

A wind farm operates at a yield of around 25%, according to market data, and delivers around 110,000 MWh of electricity per year. One can get revenues of between EUR3 and EUR4.7 million from selling energy on the energy bourse if one considers average spot prices and those on last month's market of bilateral contracts.

Annual revenues from green certificates will amount to around EUR4.3 million, considering the latest price displayed on the OPCOM bourse. Applying the new provisions that will be in force as of July and based on current prices, revenues of a 50 –MW wind farm amount to EUR8-EUR9.6 million per year.

According to a survey conducted on several energy projects, companies' average annual operating costs can reach around EUR 57,500 per MW, with the market price ranging between EUR 50,000 and EUR 60,000.

For a 50-MW project, average annual costs amount to EUR2.8 million, with the bulk being administrative, maintenance and operating costs. To these add interest rate costs, if the wind farm is financed through a loan. These costs can amount to EUR 103,000 per month in the first few years of the investment.

Under the new support scheme, the money invested in a 50-MW project can be recouped in 11-13 years, while under the old legislation the investment was recouped in 7-8 years. "Usually the lifetime of a wind farm is 20-25 years if the equipment is new and if standard maintenance and repair work is done. .

In order to get a wind energy project going, an investor needs to get no less than 85 permits and authorizations. This may seem like a lot, but in fact in Romania the process is smoother than in other countries.

## Solar Power Output Becomes Visible In National Energy System

The photovoltaic energy accounted for 0.1% of the country's overall electricity production, while wind farms ensured 0.9% of the total energy output. Romania has solar power projects with an installed capacity of 177 megawatts and wind farms with an installed capacity exceeding 2,100 megawatts.

## Vestas Sells 70 MW Wind Park In Romania To LUKERG Renew For EUR109M

Vestas said the transaction is part of a larger, EUR 127 million deal, which includes the sale of the Gebeleisis project in Romania and the Hrabrovo project in Bulgaria to LUKERG. Vestas has decided to sell the two projects as development and ownership of projects is not part of Vestas' regular business model, the company said, adding the deal will have no effect on the future operations of Vestas.

The wind project in Romania has been functional since February and has 35 wind turbines of 2 MW each, with an estimated average annual output of over 165 GWh. The Hrabrovo project in Bulgaria has been functional since March last year and has a total capacity of 14 MW and an estimated average annual output of over 34 GWh.

## Romania's Spot Energy Prices Fall As Renewable Output Rises

Electricity cost in the spot market of the local power exchange OPCPOM dropped 32% to 121.6 lei (EUR28) a megawatt hour in May, from RON 178.8 MWh from a year ago. Both the number of transactions and the quantities traded have increased significantly, reflecting the higher impact of renewables, particularly the wind energy. The lower market prices have no effect on the cost of the electricity bill for households, as tariffs in the sector are regulated by the government.

## CEZ Asks Romania For Guarantees On Delayed Renewable Aid

CEZ stands to collect 1.8 billion lei (EUR400 million) from the green certificates it should receive between July 2013 and March 2017, when the suspension of the stimulus should be lifted. We

have invested about EUR1.1 billion in wind projects in Romania. The latest developments regarding the support scheme indicate the investment would not be recovered any time soon said the Company. The Government decided earlier in June to temporarily reduce the number of certificates granted under the scheme, triggering wide protests from investors, who threatened to limit investments or abandon their projects altogether.

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