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Renewable Energy Newsletter

Bucharest, August 2013

LEGAL Order no. 55 amending and completing the Rules for accreditation of producers of electricity from renewable energy sources to implement the green certificate promotion system, approved by Order of the President of The National Energy Regulation Authority no. 42/2011

Operators accredited by the National Energy Authority until 31 December 2013 are required to submit to the National Energy Authority, until January 15, 2014, evidence showing that the land where photovolvic power plants are located is not set aside for agricultural purposes at 31 December 2013.

If this obligation is not carried out by accredited operators, the National Energy Authority ends the application of all decisions regarding the green certificates promotion system starting with 1 January 2014.

Accreditation by the National Energy Authority groups / power plants that benefit from the green certificate promotion system is offered to the amount of total annual installed capacity of power plants to generate energy from renewable sources for each calendar year, set by Government decision based on updated data from the National Renewable Energy Action Plan (PNAER).
Operators that have not been accredited as a result of interruption of the accreditation process are placed on a waiting list in the order of the dates of the registration of complete documentation at the National Energy Authority, published on their website and communicated to operators.

LEGAL Order no. 57 for approval of the Rules of organization and functioning of the market for green certificates;

Rules of organization and operation of green certificates market sets:
a) the organization and functioning of the market for green certificates;

b) the parties involved and their responsibilities in the organization and functioning of the market for green certificates;
c) the registration and management of information relating to the trading of green certificates;
d) the information necessary to monitor the functioning of the market for green certificates.

This Regulation applies to:
a) green certificate market participants;
b) green certificate market operator - the company "Electricity and Gas Market Operator OPCOM" – SA (Societatea Comercială "Operatorul Pieţei de Energie Electrică şi Gaze Naturale OPCOM" - S.A), as an organizer and administrator of the green certificate market and as administrator of the registry of green certificates.
The Regulation provides that the trading of green certificates is in no way related or conditioned by the trading of the actual related energy.

BUSINESS GDF Suez Energy Romania increased by EUR 34 million the share capital of Buzau-based wind farm developer Alizeu Eolian.

GDF Suez Energy Romania bought Alizeu Eolian to develop a wind farm with a capacity of 50 megawatts in Galati county, for an investment estimated at EUR 90 million. The company registered net profit of RON 354.75 million (EUR 79.6 million) in 2012, up 51.4% on the year, and 4.8% higher sales of RON 4.04 billion (EUR 908.2 million).

BUSINESS The European Bank for Reconstruction and Development is considering providing a loan for the construction, commissioning and operation of a 108 MW wind farm.

The Crucea wind farm, developed by German power producer STEAG, is estimated to cost up to EUR 192 million. STEAG and other financial institutions will provide the balance of the funds. STEAG GmbH is owned 51% by a consortium of seven municipal utilities of the Rhine-Ruhr region in Germany and 49% by Evonik Industries AG.

BUSINESS Vestas posted EUR 132 million revenue in Romania last year and a net profit of EUR 37,000. The company is one of the main suppliers of turbines for the local sector.

Romania is among the top 20 countries in the world by total turbine capacity Vestas installed, 544 MW at the end of last year. Vestas supplied almost one third of the turbines in use in Romania. The local market was among the top five destinations for Danish turbines, last year it slipped to tenth in Europe by capacity delivered, only 56MW, according to the annual report of

the company. Romania fell behind Ukraine in the ranking of Vestas clients, where Vestas supplied 81MW worth of turbines last year.

BUSINESS Elsid SA has started to develop a 24MW wind farm in Corbu, on the Black Sea Coast.

The farm will use 264 hectares outside the built-up area of Corbu, north of Mamaia resort in SE Romania. The town has also aroused the interest of other renewable energy investors such as Monsson, because the Black Sea coastal area has the best potential for wind power generation of the entire country.

Elsid's wind farm could generate 50,000 MWh in a full year in operation and the company would get as many green certificates through the clean energy support scheme. The certificate price is about EUR40 at the moment, which means Elsid's farm should get about EUR 2 million support a year.

This is not Elsid's first foray into the clean energy sector, as it already is an established green power producer via its micro-hydropower plants. It has 43 MW installed in facilities of less than 10 MW, the only hydropower plants eligible for green power support scheme put in place by Romania's government.

Elsid was one of the companies that used bilateral contracts to buy power from state-owned hydropower producer Hidroelectrica until it went insolvent. While most such contracts Hidroelectrica had were terminated by the company's court-appointed trustee, the contracts with Elsid, Electrocarbon, Electromagnetica and Alro were kept on condition that the beneficiaries agree to pay more for the electricity they get.

Elsid had to take a price of 189 lei (EUR 42.5) per megawatt instead of the previous RON 102, as of the beginning of 2012, which hurt its profit driving it down from EUR 17.5 million in 2011 to EUR 10.7 million last year. Revenue fell by 14% from EUR 87 million in 2011 to EUR 75 million last year.

BUSINESS Firms Rios Solar Renovables and Rios Total Solar, part of Spanish group Rios Renovables, filed for insolvency at the beginning of August.

Rios Renovables was developing a photovoltaic park with an installed capacity of about 10 megawatts in Timis county, western Romania, and planned to develop locally wind farms with a total installed capacity of 140 MW.

Under the new regulations, wind power producers receive one green certificate for each megawatt of energy they produce, instead of two certificates currently. Hydropower producers with installed capacity not exceeding 10 MW receive one certificate instead of three, while

solar power producers get four green certificates instead of six. Romania has wind farm projects with a total installed capacity of over 2,100 MW.

BUSINESS Virgil Mailat has completed renewable energy projects worth around EUR 43 million alongside other business partners.

He plans to invest another EUR 14 million in the sector and his projects completed or pending completion total of 32 MW installed in wind farms and solar parks. The businessman is one of the most important clean energy investors not backed by an international company.

Virgil Mailat expanded into solar power this year with a EUR 3.5 million investment in a 3 MW solar PV farm in Sibiu County. He is also developing three more 3 MW photovoltaic farms, which should require about EUR 14 million investments, based on an average cost per megawatt installed of EUR 1.55 million.

BUSINESS EDP Renovaveis continues the development of wind and solar parks.

During the first half of 2013 EDPR added 130 MW in Poland, 28 MW in Romania and 6 MW in Portugal and as of June 2013 EDPR had 270 MW under construction: 144 MW in Romania (of which 12 MW are solar projects), 60 MW in Poland, 30 MW in Italy, 8 MW in France and 29 MW in Portugal.

Out of a total of EUR 104 million invested in the first half of this year, EUR 84 million were allocated for the European markets, particularly Poland and Romania, and the rest to the North American market. The Portuguese company will invest over EUR 216 million to develop its 144 MW projects in Romania.

Romania is the largest market for the Portuguese company when it comes to projects under construction, given that the company is involved in projects of 60 MW in Poland, 30 MW in Italy and 8 MW in France. On the largest markets where the Portuguese group operates, Spain and Portugal, there is currently no project underway.

Currently the Portuguese company's renewable energy projects in Romania have reached a capacity of 378 MW following investments of around EUR 570 million, with 39 MW of this capacity coming from solar projects. Compared with the similar period of last year, the Portuguese company has increased its installed capacity in local renewable energy projects by around 93 MW.

The development of EDPR on the Romanian market was in part based on high energy prices, which include green certificates received in return for electricity injected into the system. For instance, the average selling price of energy in the first half of the year in Romania was EUR 133.7 per MWh, with the price including the support scheme based on two green certificates.

This compares with first-half average prices of EUR 90 in France and EUR 112 in Belgium. In Poland it was EUR101, while in Italy the price was EUR138.9 per MWh.

Prices in Romania were 2% lower year-on-year, at EUR 133.7/MWh, impacted by lower green certificate prices driven by the uncertainty created through the approval of Government Emergency Ordinance 57/2013 (to modify the green energy support scheme, e.n.).

BUSINESS Telecom operator RCS & RDS continues to buy solar power companies.

The company bought Novitas Electro from two individual owners, Carmen Popa and Valentin Micoriciu in Bihor in June, according to the Official Journal. Novitas has a contract to connect its 4 MW solar farm to the national power grid, according to the website of the grid operator Transelectrica.

RCS & RDS started buying solar parks under development at the end of last year. It first took over Energiafoto and Energyall Distribution, which were developing 13.7 MW projects in Braila (SE Romania). It then bought Delalina, Firatelectric and now Novitas, which were developing a 2.74 MW farm in Bihor, a 3 MW facility in Braila and a 4 MW facility in Bihor.

Unlike the wind power sector, where most of the investors are major energy groups, solar power investors also include Romanian entrepreneurs.

BUSINESS Smart Electric Design could start work on a 450 MW power plant running on gas.

In 2012, the transmission and system operator Transelectrica received 65 grid connection applications, one of which was for an energy generation facility using conventional fuel (450 MW) and 64 facilities using renewable energy sources (5,903 MW).

According to Transelectrica's website, Smart Electric Design obtained the technical approval to connect to the grid - an early stage in the development of an energy generation project, for a cogeneration facility (which produces both electricity and natural gas) with a capacity of 450 MW on February 19, 2013. The new facility should become operational in 2015 and be built in Vetis, Satu Mare.

Trade Registry data show Renovatio is behind Smart Electric Design and owns 95% of it. Renovatio posted a revenue of more than EUR 45 million last year, according to its corporate website and is involved in several wind and solar farms in Romania. Renovatio owns a 17 MW wind farm in Baia, Tulcea (SE Romania) and operates a 339 MW along with EDP, one of the biggest investors in wind farms in this country. The value of the wind farms amount to over EUR 530 million, EUR 500 million of which developed with EDP. It usually takes EUR 1.5 million to install one megawatt of capacity in a wind farm.