# Renewable Energy Update - October 2013

## Ecopaper Zarnesti has selected an Italian company to build a 6.65 MW photovoltaic park which might cost EUR 10 million.

"We are now building a 7.45 MW photovoltaic park for Building Energy and have recently signed a contract to build a 6.65 MW park in Zarnesti", said the representatives of Productie Energie Verde, a company registered in 2008. Its owner is Italy's Nordelectrica Impianti, which specializes in designing and development of small power plants.

Building Energy is an Italian company that owns two solar PV projects with a capacity of 16 MW in Romania that should be finalized this year. According to the available information, the project in Zarnesti should generate electricity that will be used by Ecopaper and the surplus sold on the market.

Several Romanian entrepreneurs have completed solar farm investments unlike the wind power sector that attracted chiefly large companies like Czech Republic's CEZ, Italy's Enel and Energias de Portugal.

Latest data published by national grid company Transelectrica show that solar farms with a capacity of about 410 MW were in operation at the end of July, compared with some 50 MW at the end of 2012.

## Swiss group Energy Financing Team (EFT) plans to invest at least EUR 50 million in building a hydropower plant or a coal-fired power plant in Romania.

Milos Hamovic said that EFT plans to set up a special fund for investments in energy projects in the region, including Romania.

Currently, EFT and China's Sinohydro Corporation are building a 35 MW hydropower plant in Ulog (Bosnia Herzegovina) and the investment amounts to EUR 60 million. The new plant will produce 85 GWh and is due to be completed in 2016. EFT and China's Dongfang Corporation are building a 300 MW thermal power plant in Stanari (Bosnia Herzegovina) and the project is estimated at EUR 500 million. The new plant will produce 2 million MWh.

EFT Group employs around 600 people and operates in Central and Southeastern Europe. The group reported a turnover of EUR 2.13 billion and net profit of nearly EUR 10 million in 2012. For 2013, the group estimates to double its profit to over EUR 20 million, but expects much lower turnover of nearly EUR 1 billion. EFT Romania, the local division of EFT Group, has been operating the local energy market since 2005

## Wind energy has been one of the few sectors to record an increase in the years of crisis after the crash of Lehman Brothers in 2008.

Data published by power grid operator Transelectrica shows that while in 2008 only 6.9 MW were installed in wind farms, wind farm capacity had reached around 2,199 MW after the first seven months of 2013, which is a 300-fold increase. Based on an installed capacity of 2.5 MW per turbine, it can be estimated that Romania went from 3 turbines in 2008 to around 880 in July this year after investments of EUR 3.3 billion.

This growth was based on the support scheme that the Romanian state made available to investors in renewable projects. The scheme generated this investment boom, although the subsidies were heavily felt in the electricity bills of major energy consumers, who threatened to cut or even relocate production away from Romania.

## Investments in photovoltaic parks in Romania were 3.5 times lower in July compared with the previous month.

Solar and wind farm projects attracted about EUR 4 billion over the past four years and investments plummeted immediately after the government cut the support scheme.

According to data by power grid operator Transelectrica, the new installed solar power capacity stood at 35 megawatts in July, from 120.5 MW in June, when investments in new photovoltaic parks amounted to about EUR 187 million. Investments in wind power projects were also lower in July, with 36 MW in new installed capacity, from 60 MW in June.

Romania's government decided in June to temporarily reduce state support for renewable energy producers starting July 1. The measure will be valid until March 2017 for hydropower units and photovoltaic power stations, and until 2018 for wind farms.

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.

According to Transelectrica, green power producers received some 607,000 green certificates in July, instead of 968,000, and the remaining 361,000 should be recovered between 2017 and 2020. Investors fear they will never recover the certificates they are owed. Some 6.7 million green certificates, worth approximately EUR 270 million, have been issued in January-July.

***Disclaimer:*** The information given in this note is for general information only, should not be relied upon as specific legal advice given by **BWSP Hammond Bogaru & Associates** on any matter, and should not be relied upon in relation to any transaction or legal problem. If you require specific legal advice please contact us.