

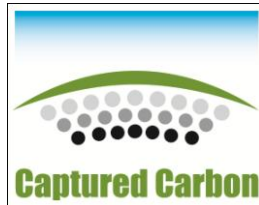
SUBMISSION ON CONSULTATION PAPER ON THE SUPERVISORY FRAMEWORK FOR GUARANTEES OF ORIGIN



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Introduction

Captured Carbon acts on behalf of a number of generators operating on the SEM who are not in receipt of REFIT support. These generators wish to maximise their revenue generation through all avenues available. Over the last 18 months or so we have examined the area of Guarantee of Origins (GO's) as a means to provide much needed revenue to these Generators. While the progress being made to date by the Irish authorities is welcome, it must also be stated that this was expected to be in place already and all delays to this implementation represents lost revenue for Generators not in receipt of REFIT support. While it is welcomed that GO's will be issued in respect of generation from Jan 1st 2011 onwards it must be stressed that this only of benefit to Generators provided there is a speedy implementation of the GOs process.

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As will be discussed in the following pages the main market for GO's is outside of Ireland. This presents a significant export opportunity for the Irish economy. If ever there was an example of the much heralded "Green Economy" providing support to the Irish economy, this is it. As GOs are by-products of a process that has already occurred (i.e. energy generation) the revenue created by GO's represents 100% profit for the Generator. This must be considered when the value of the sale of GOs are examined, usually the GP (Gross Profit) on a sale of an export could be as low as 10% of the actual sale, in this case it is practically 100% (excepting broker fees).

The consultation paper is quite detailed and this is to be welcomed. There are many points of agreement in the paper. Rather than go through each point as set out on in the document, it was decided to focus on the main issues of concern and these are set out below.

Export (& Import) of GO's

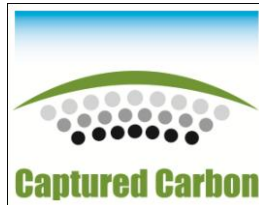
This area is extremely important. In the short term the main market for Irish GO's is outside of Ireland. Presently Irish GO's could be sold for between €1 - €1.20 each. It is expected that as the market becomes more developed and as Irish GO's establish themselves as verified and regulated products that this price will increase significantly¹. It is imperative that the simple and efficient export of GO's is facilitated.

It is understood that without an EU wide GO's registry this may present a problem. It is also understood that issues of integrity such as "Double counting" are of paramount concern when developing a solution to this.

Proposal 1

In order to facilitate trade and in the absence of an EU wide registry, it is proposed that each country has an account in the Irish Registry. Bilateral agreements between SEMO and their EU member state counterparts can be made whereby each country will allocate GO's from Ireland to their own domestic suppliers. There are many robust methods of doing this e.g. if the Irish authorities were to confirm that the GO's were put into the account of the destination country and the registry operators for that country where then issued with a direction (from SEMO or the Irish account

¹ The prices quoted are from offers currently being made for Renewable Energy Certificates (RECs) which are accepted in some EU states for mandatory programmes ahead of the full implementation of GoO's. This



holder) to allocate GOs of an equivalent amount to a nominated account in that country. These country accounts can also be used for importation of GOs for Irish accounts if required.

Issue transfer and Cancellation

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The paper sets out that an electronic registry will be established to manage the issuance, transfer and cancellation of GOs. It then proposes that this registry will only transfer the GOs on a monthly or quarterly basis based on the reasoning that this would result in “lower operational costs”. This assertion is perplexing, what are the “operational costs” that would be more on a monthly basis than a quarterly basis of transferring GO’s electronically, or more on an hourly basis than on a monthly basis? This is an electronic registry, the transfer of GO’s should happen on a real time basis, it should be immediate and any unnecessary delays will create obstacles for trade.

Proposal 2:

The **transfer** of GO’s should happen immediately. This can be done via an intermediary in the SEMO or by the account holders themselves. In this way the account holders access the registry and move GO’s from their account to a nominated account. This is quite normal in other registries (carbon credits, Levy Exemption Certificates, Renewable Obligation Certificates etc). It would be expected that any electronic Registry platform being offered for this project would also offer this facility.

Proposal 3:

The **issuance** of GOs should be on a monthly basis. This issuance will need to be verified. The paper suggests this cannot be done in a cost efficient manner unless carried out on a monthly or quarterly basis. GOs are only valid for 12 months so it is suggested in the interests of giving the generator the maximum time available to sell their GOs, the issuance process should be done on monthly intervals.