

3a | Demand centers - Balkans and beyond:

Corporate Procurement View on New EAC systems in the European Energy Community

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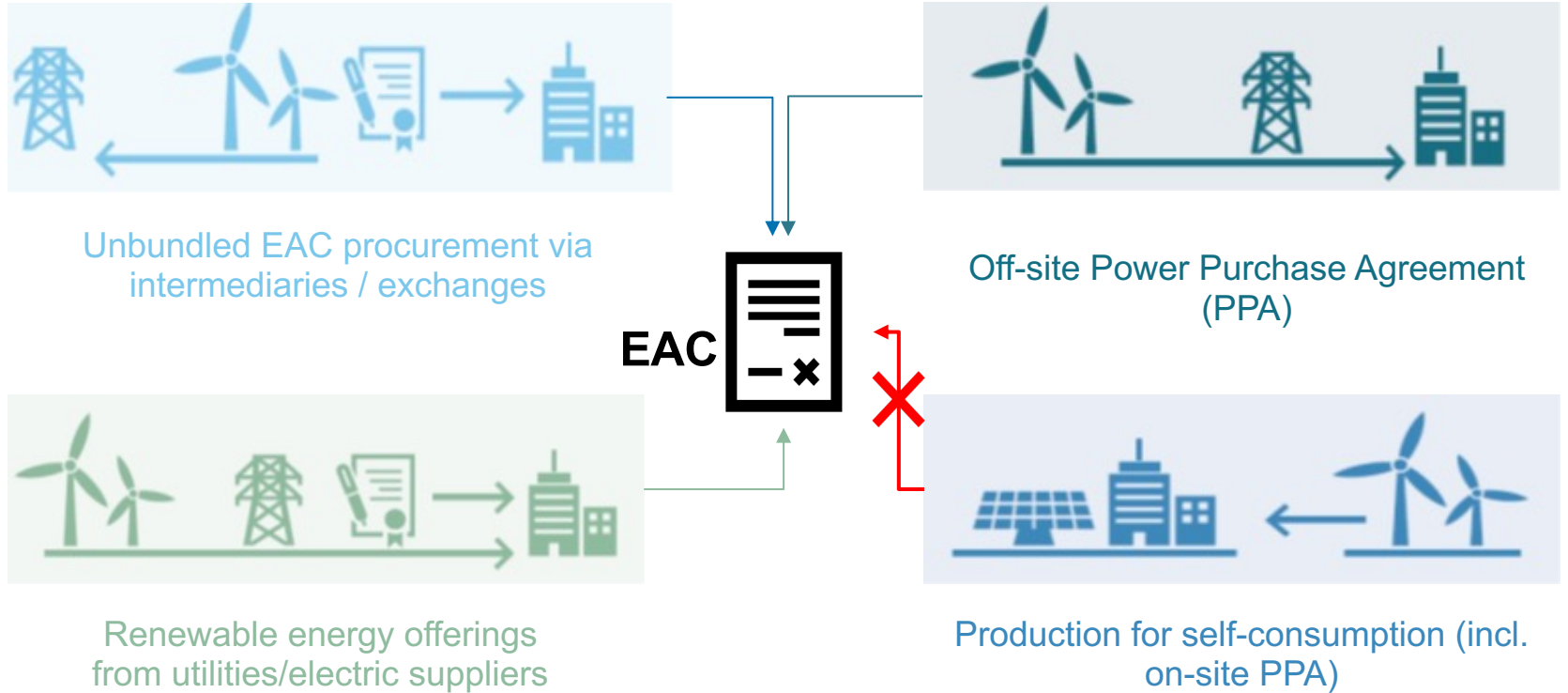
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Corporate sourcing of EACs

EAC Sourcing Mechanisms



Reporting of Scope 2 Emissions

Scope 2 Emissions are indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling.

Market-based reporting of Scope 2 emissions allows use of EACs as an instrument for their reduction.

Any EAC used for that purpose needs to meet Scope 2 Quality Criteria, where:

1. GHG Protocol prescribes basic criteria,
2. Other reporting standards, e.g. CDP and RE100 can introduce additional requirements.

GHG Protocol Scope 2 Quality Criteria

- 1 All relevant generation data, environmental and social attributes are bundled together and presented in an EAC.
- 2 Consists of legal enforceability (property rights), tracking by recognized tracking systems (exclusive issuance, trading, and retirement), and exclusive sales and delivery
- 3 A single entity makes claim on all EAC attributes (including emissions) or generation data.
- 4 Contains date of renewable electricity generation; seeks to ensure that generation date occurs close to the reporting period for which EAC is claimed.
- 4 Address the geographic boundary from which certificates can be purchased and claimed. Cross-border use is available in few EU countries and between the US and parts of Canada.

EACs in the Energy Community

The aim of the project is to put in place an **electronic system** to manage the issuance, transfer and cancellation of guarantees of origin in line with EU rules and principles. The system will enable each Contracting Party to have its own **national register**, while being able to **trade GOs regionally**.

Also, project aims to support countries on their road to **AIB membership**.

How corporates understand this project:

- Each country is expected to develop national registry and introduce electronic systems in line with EU acquis →
 - **Quality criteria requirement will be met;**
 - **Proper Cancellation statements will be provided.**
- Trading EACs regionally and AIB membership →
 - **System that envisions cross-border trading of EACs;**
 - **Can also incentivize cross-border PPAs in the region.**

RED III

- Disenables import and disclosure of non-EU EACs to the EU markets;
- Prescribes additional rules for their recognition, might be a complex and lengthy process;
- **Remedy:** Bigger uptake of volumes in the local market, supported by reporting requirements.

CBAM

- Current regulation only recognizes PPA for reporting of indirect emissions;
- **Remedy:** Work towards adding EACs to CBAM for reporting of indirect emissions; PPAs are not available in all markets targeted by CBAM.

Reporting standards – Market boundary rules

- Different market boundary rules might limit cross-border trading and restrict their use to the local market;
- CDP and RE100, recognize only AIB/grid connected/EU as a single EAC region, while we anticipate GHG Protocol to revise its rules on this topic;
- **Remedy:** Working towards recognizing Energy Community countries as a separate EAC region