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Energy Newsflash

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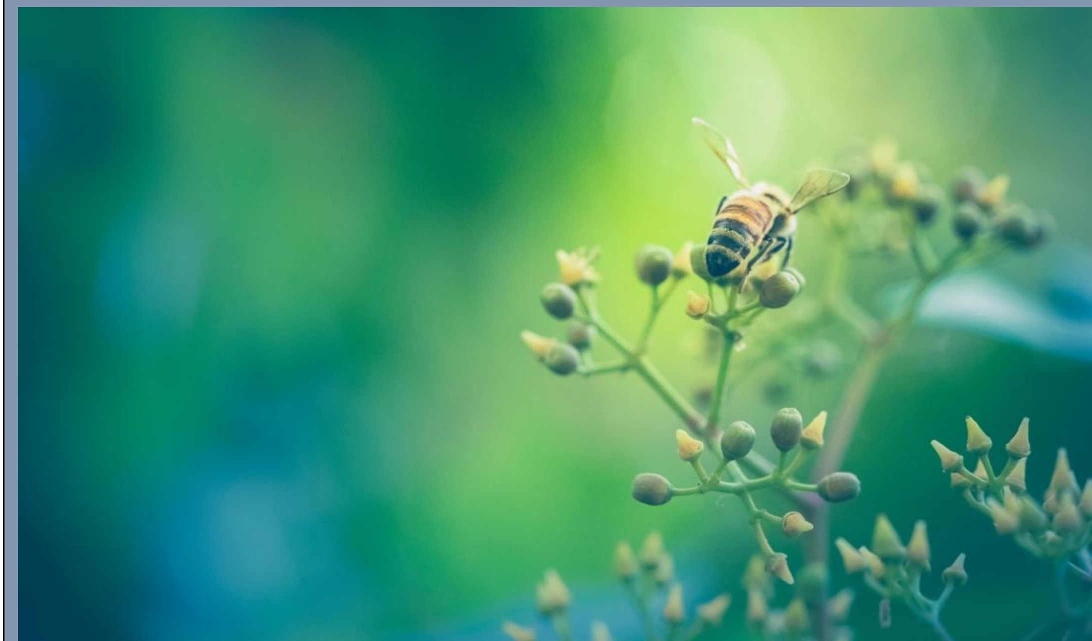

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Editor’s note

Dear readers,

In the current issue of ROKAS Energy Newsflash we spot the light on topics of interest various Greek energy market stakeholders with emphasis on the significant recent developments.

In particular, the Greek government has been making significant strides in the regulatory landscape, with the passing of Law 5037/2023 resulting in changes to the number of regulatory issues. Additionally, several Greek State Aid schemes important for the development of Renewables and support of the electricity market have recently been approved by the European Commission. Regarding the market measures addressing the issues of high electricity prices the Law No. 5027/2023 provides for the amendments to the levy paid by gas-fired electricity producers. Furthermore, the European Commission has called on Greece to comply with EU law when planning wind farm projects, highlighting the need for sustainable energy practices.

I hope you enjoy the issue!

Mira Todorovic Symeonides

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Amendments to the levy imposed on gas-fired electricity producers

On 2 March 2023, Law No. 5027/2023 was published in the Official Journal A΄ 48/02.03.2023, introducing amendments to the Greek energy sector among other regulations.

The Law amends the amount and calculation of the special levy of €10/MWh per thermal MWh on each distributed natural gas-fired electricity generation unit introduced by the law No. 4986/2022 in force from November 2022. The new provision modifies the amount and the calculation method of the special levy in order to be in line with the indicators of market conditions. As a result, this special levy will be calculated at a rate of five percent (5%) of the numerical average of the daily average prices or Title Transfer Facility (TTF) of the delivery month on London working days of the previous moth as an average of bid and offer prices as published in the Independent Commodity Intelligence Services (ICIS) European Spot Gas Markets in the table of the TTF Price Assessment €/MWh with a maximum amount of €10/MWh. The revenues (from the special levy) are used to support electricity consumers by addressing energy costs, to support investments in environmentally friendly forms of energy, technologies for carbon capture and storage or utilisation, and finally, to hedge part of the investment costs in Natural Gas Systems and Networks.

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In regard to the energy sector the Law also:

- provides the ground for the PSO obligation hedging against the risk of energy crises which will be further specified by a ministerial decision to follow;
- extension of the temporary measure - imposition of a special levy on the excess revenues of electricity suppliers – in the amount of 60% of the excess revenues until 31 March 2023 and subsequently on a quarterly basis and

the exclusion of physical PPAs from the Temporary Mechanism for the Refund of Part of Day-Ahead Market Revenues.

by Evangelia Gkana
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Commission calls on Greece to comply with Directive 92/43/EEC

On 15 February 2023 the European Commission sent a reasoned opinion under article 258 of the Treaty on the Functioning of the European Union to Greece addressing the issue of the country's failure to comply with the Habitats Directive (92/43/EEC) when planning wind farm projects. The case has formally been registered under infringement number INFR(2014)4073.

In more detail, the Habitats Directive aims to ensure the conservation of natural habitats and of wild fauna and flora, by setting out specific rules to this effect. According to the Directive all plans and projects that are likely to significantly impact any of the Natura 2000 sites, must be subject to an appropriate assessment of their potential impacts on these sites. Despite the aforementioned core principal of the Directive, the existing planning for RES projects does not provide for such an assessment, thus resulting in plans being approved without the assessment having been carried out.

In light of the above, the Commission sent a letter of formal notice to Greece back in July 2014 addressing the issue and offering technical support. Despite this, Greece has still not completed the necessary procedures in order to revise or amend the existing regime. As a result, the Commission sent the aforementioned reasoned opinion, granting Greece a two-month deadline to respond accordingly. Failure to do so may result to the referral of the case to the Court of Justice of the European Union.

by Andriani Kantilieraki
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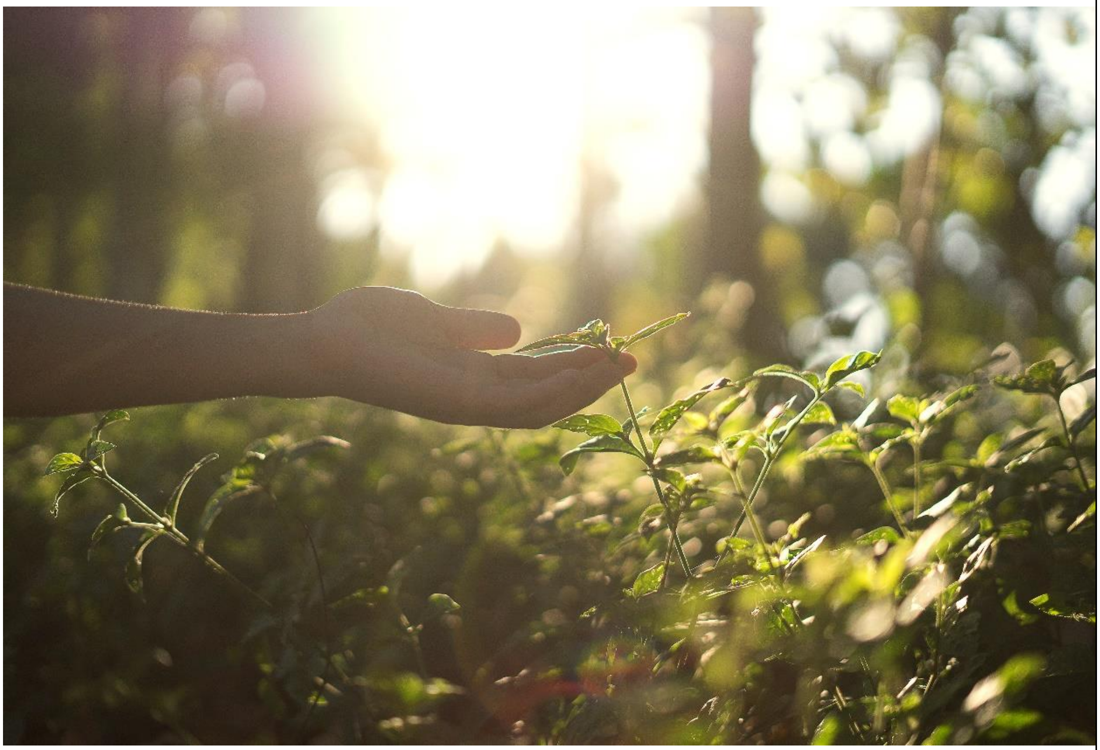
Recently approved Greek State Aid Schemes

On 9 March 2023, the European Commission, following the Temporary Crisis Framework of 2022 as amended, adopted the Temporary Crisis and Transition State Aid Framework (TCTF), enacting a framework less strict in the state aid sector, in response to the sharp increase in energy prices as well as the US Inflation Reduction Act which provides to the USA companies subsidies worth USD 369 billion for "green investments", as a result of which businesses consider relocating to the USA. The beneficiaries of TCTF must deliver the projects within 3 years from the granting of the aid, and such aid will only apply until 31 December 2025. Its objective is to provide support to sectors considered necessary for the energy transition, therefore, TCTF favors the flourishment of support schemes by simplifying the requirements for the granting of aid and by abolishing the obligation for the conduct of a competitive bidding process with respect to small projects and less mature technologies (e.g. renewable hydrogen), by broadening the support possibilities towards all forms of RES as well as the decarbonization of industrial processes and last, but not least, by setting out higher aid caps and less complicated aid calculation.



In addition to the aforementioned, TCTF proceeded to the amendment of the General Block Exemption Regulation («GBER») to allow Member States to grant aid, without prior notification to the Commission, to companies that will accelerate the rollout of renewable energy, the decarbonization of industrial production processes and accelerate investments in strategic sectors for the transition towards a net-zero economy.

a) compensation of energy-intensive companies for indirect emission costs

On 7 February 2023 the European Commission is the no. SA.103180 as regards the € 1.36 billion compensation granted for indirect ETS costs in Greece from 2021-2030, in compliance with ETS State Aid Guidelines. This scheme was proposed on the grounds that the energy intensive industries are in need of support in order to deal with increased electricity prices due to the indirect emission rights costs which are passed on to the said prices and it aims to address the risk arising out of the "carbon leakage", that is the transfer of companies' production to non-EU countries with less ambitious climate policies, resulting in increased global greenhouse gas emissions. Beneficiary companies are listed in Annex I of ETS State Aid Guidelines. The project also intends to enable such industries to sign corporate power purchase agreements (CPPAs). The eligible companies will each time receive a compensation in the form of a partial refund -up to a 75%- for the emissions of the previous year, with final payment taking place in 2031, however, payments for 2021 are excluded from the aforesaid norm, since they should have been made by 30 April 2021.

b) Development of electricity storage facilities

The support scheme no. SA.64736 RRF relates to the provision of financial support to the electricity storage facilities until 2023 was approved by the European Commission by virtue of Decision no. C (2022) 6461/05.09.2022 which grants the amount of €341 million for a 900MW energy storage pipeline connected to the high-voltage network. In particular, the measure will be partly funded by the Recovery and Resilience Facility ('RRF') and projects will be selected through a bidding process. Contracts will be awarded to the selected projects should take place before the end of 2023 and the storage facilities should be completed by the end of 2025. The aid will be granted, cumulatively, in the form of an investment grant paid during the construction phase of all supported projects; also an annual support to be paid during the operations phase of the projects, for a 10-year period.

c) **Remuneration scheme of Hybrid Power Stations in NIIs of Greece until 2026**

The Scheme under registration no. SA.58482 (2021/N) relates to the provision of support for the development of renewable electricity in non-interconnected islands

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(NII) until 2026. The European Commission approved this scheme by virtue of Decision C(2021) 9886/21.12.2021, which approves the support scheme intended to allocate a €1.4 billion to promote renewable electricity in the 29 autonomous non-interconnected island electricity systems in Greece (covering 47 islands). In particular, the scheme supports the production of electricity from hybrid power plants, which both generate and store solar and wind based electricity. Around 80% of electricity in the Greek islands is currently produced with diesel and oil. Due to saturated grids, adding storage facilities to renewable electricity generation units is necessary to increase the share of RES in the electricity system on these islands. The 47 islands involved, including Crete, will be covered by the scheme until their eventual connection to mainland Greece. Overall, Greece aims to support 264MW of new renewable capacity until the end of 2026 through this measure. The Commission concluded that the measure will contribute to the expansion of solar photovoltaic and onshore wind energy in the Greek islands, and reduce greenhouse gas emissions by replacing oil and diesel installations, in line with the European Green Deal objectives, without unduly distorting competition.

d) **Greek RES scheme 2021-2025**

The Greek State Aid scheme no. SA.60064/(2021/N) for electricity generation from RES and HECHP (High Efficiency Combined Heat and Power cogeneration) for the period of 2021-2025 was approved by Decision C (2021)8651/24.11.2021. By virtue of this decision, the European Commission approved the amount of 2,27 million for a total capacity of 4,145 MW. For onshore wind and solar installations, the aid will be awarded through a joint competitive tendering procedure, organised by Greece to increase competition and reduce the cost of renewable energy for Greek consumers, both on the mainland and the islands. If a minimum technology diversification is not attained out of the joint solar and onshore wind auctions, Greece reserves the possibility to launch separate auctions to address the technology shortfall. Support will be directly awarded, subject to certain thresholds over which competitive tendering procedures will apply, following which a contract-for-difference will be concluded.

Previously the schemes were approved under SA.44666 and SA. 48143, for the production of electricity from RES and HECHP, in the form of a feed-in premium and a feed-in tariff for the period of 2016-2025 and 2018-2020 respectively.

by Panagiota Maragkozoglou
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Law 5037/2023 introducing significant changes to energy regulatory framework

The law 5037/2023 published in the Official Journal B’ 78/28.03.2023 introduces significant amendments regarding various energy and environment related norms, such as:

Renaming of the Regulatory Authority for Energy (RAE) into Regulatory Authority of Waste, Energy and Water (RAAEY) regulating issues of its additional competences and staffing, with aim to establish and operate a single regulatory authority which will, in addition to the energy market, monitor and regulate water, wastewater and waste management;

Harmonisation of the Greek legislation with the EU RES Directive - EU 2018/2001 on the promotion of the use of energy from renewable sources and on Electricity Directive - EU 2019/944 on common rules for the internal market for electricity;

Providing for important amendments regarding Energy communities. From now on they will be formed as Renewable Energy (RE) communities or energy communities of citizens, while those established in compliance with the law 4513/2018 may be transformed into the new forms. RE energy communities should have local character and may produce electricity from RES, store it, consume or sell it, while minimum 70% of their profit should remain within the community; they should have

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at least 30 members (individuals, SME, agricultural cooperants, decentralized local government, NGOs) or minimum 15 in case all of them are SMEs. For private legal entities production of electricity should not be the main commercial activity. The law provides various benefits for the energy communities including priority in licensing procedure, possibility for virtual net metering etc.;

Introducing substantial amendments of RES self-consumers legal framework, on one side reducing the maximum capacities of self-consumers eligible for net-metering to 10.8kV for households and 100 kV local administration, also limiting the eligibility for virtual net metering to RE energy communities for the consumption of certain categories of their members, local government bodies, and registered agricultural producers (the last one with capacity limitation of up to 100kV). On the other hand, the Law introduces net billing without such limitations, for which the surplus energy would be paid as feed-in-tariff or feed-in-premium or through other support measure, as applicable. Self-consumers may sell the sur-plus of the produced energy on the markets, to traders, to suppliers or directly to consumers without limitation. Guarantees of origin will be issued for self-consumers for the sur-plus electricity sold as well as for the total electricity they produce from RES;

Implementing the RES Directive and regulating the minimum of 14% use of RES in transport by 2030 (1% by 2025) also imposing the respective obligation to the transport fuel suppliers and regulating rules on calculation the above percentages;

Establishing special legal framework of the hybrid plants on the Non-Interconnected Islands applicable until the end of 2026, particularly regulating the operational aid for the specified groups of islands and licensing procedure for these plants; and

Prohibiting the issuing of new licenses or increase of capacity of the existing licenses for production of electricity from black coal, lignite, natural gas or petrol products, with the following exceptions: a) increase of capacity is permitted for these types of plants that at the time of enacting of the Law already operational or in trial period, and b) such plants: on the Non-Interconnected Islands, production units on the islands used for backup of supply, and high efficiency combined heat and power (HE CHP) plants.

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