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Legal framework for increasing renewable energy in Greece

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> [Introduction](#)

> [Authorities and stakeholders](#)

> [Licensing RES](#)

> [Remuneration and financing of RES producers](#)

Introduction

Over the past decade, Greece has made considerable efforts to achieve a green transition by increasing the number of renewable energy system (RES) shares in its energy mix. According to a [study](#) conducted by Ernst & Young in 2022, referring to data of the same year, Greece's global ranking is:

- 16th within the general index of attractiveness for RES investments; and
- second place when the index is related to each country's gross domestic product.

Additionally, both its climate and geographical position render RES development favourable. In this context – taking into account the general target set by the European Union by virtue of the Paris Agreement, the EU Green Deal and the Fit for 55, which aims to reduce EU greenhouse gas emissions by 55% by 2030 – the Hellenic Republic has adopted a National Energy and Climate Plan (NECP), providing a roadmap for the achievement of these goals.

Currently, the Greek NECP is under revision, aiming to achieve complete independence from fossil fuels.

Over the last couple of years, Greece has introduced significant regulatory changes aiming to attract new investments in RES, electricity storage and high efficiency cogeneration of heat and power (HE CHP). The changes substantially amend the legal framework for electricity as a whole. This includes adopting the first National Climate Law⁽¹⁾ laws, amending the licensing procedure and regulating electricity storage and offshore wind for the first time.

The amendments particularly reflect:

- the authorities in charge for regulation, monitoring or licensing;
- simplifying the licensing procedure with aim of its simplification; and
- financing these projects through state aid.

Authorities and stakeholders

The Ministry of Environment and Energy and Regulatory Authority for Waste, Energy and Water (RAAEY)⁽²⁾ (until recently the Regulatory Authority for Energy (RAE)) monitors the energy sector.

The ministry oversees the creation of energy policy and the adoption of specific acts as provided in the Energy Framework Law.⁽³⁾ This includes issuing decisions for the implementation of laws regulating the energy sector, such as decisions regulating production, storage, supply and trade of electricity .

The RAAEY is an independent energy regulator, established in 1999 authorised to control, regulate and supervise the operations of all sectors of the energy market. Its competences include:

- issuing energy operation licences;
- organising competitive procedures for awarding state aid for RES plants and, as of recently, for electricity storage plants;
- approving and issuing the codes and approving methodologies for the access tariffs to the networks; and
- approving and requesting amendments, if necessary, to a 10-year energy development plan.

It also acts as a dispute settlement authority regarding complaints against the network operators and/or owners, and against any energy companies for infringement of their obligations as regulated by the energy legislation and their energy licences.

The Greek Energy Exchange, established in 2018, is now operating three electricity markets and a natural gas platform. The electricity markets are:

- the day-ahead market;
- the intra-day market; and
- the forward market.

The balancing market is the responsibility of the Independent System Operator (IPTO). RES and HE CHP producers may participate in these markets directly or through RES aggregators (or DAPEEP being appointed as the RES aggregators as a last resort).

The IPTO is responsible for the connection of RES plants with a capacity above eight megawatts, while the Hellenic Electricity Distribution System Operator (HEDNO) is responsible for the connection of RES plants with a capacity of below eight megawatts. The



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HEDNO also acts as market operator of the non-interconnected islands.

The Renewable Energy Sources Operator and Guarantees of Origin (DAPEEP) is responsible for RES markets of the interconnected system (excluding non-interconnected islands), the conclusion of operational state support agreements with RES producers and issuing guarantees of origin.

In 2022, the Hellenic Hydrocarbon and Energy Resources Management Authority (HEREMA) (established in 2011 as the Hellenic Hydrocarbon Resources Management Company) was transformed to expand its scope. Today, it is responsible for licensing and managing:

- hydrocarbon exploration and production;
- carbon storage;
- underground gas storage; and
- offshore wind.

Through the company's acquisition of DEPA International Works, HEREMA also participates in important infrastructure projects.

Licensing RES

Several pieces of legislation issued in 2020⁽⁴⁾ 2022⁽⁵⁾ and 2023⁽⁶⁾ aim to simplify the licensing procedure for electricity production and storage from RES, and secure the implementation of projects and their access to the grid.

The first step of the licensing procedure is RAAEY issuing a producers' certificate or a producer's certificate for special projects (eg, hybrid and storage). The following must then be obtained:

- environmental approvals;
- a binding offer for connection to the grid; and
- an installation permit.

The amended procedure obliges applicants to proceed from the finalisation of the previous step to the next step within a certain timeframe, or else they risk losing all previously obtained licences. The producers must provide several types of letters of guarantee to proceed with the projects' implementation.

Offshore RES

For the first time, this amended legislation regulates offshore RES, particularly the pilot programme for marine photovoltaic plants and wind offshore plants.

The programme will be implemented for up to 10 plants with a maximum of one megawatt of capacity. The applicants will need not obtain a producer's certificate, environmental licence or construction licence, but will be obliged to adhere to requirements relating to spatial positioning, licensing, installation and operation permits.

The first offshore wind farms are expected to be installed in Crete, the North Aegean islands, the Dodecanese and the Cyclades. Meanwhile, the defined zone of Alexandroupoli will host pilot projects of a total capacity of 600 megawatts, according to the National Plan for the Development of Offshore Wind Farms. The competent authority, HERMA, is planning to finalise the national programme for the marine zones for the development of the first offshore wind farms of a total capacity of between 2,000 and 2,500 megawatts. The HERMA will submit a draft of this plan to the Greek Ministry of Energy and Climate by mid-2023. Investors will initially participate in the first round of offshore land auctions for the installation of offshore wind farms as regards projects of a minimum capacity of 200-250 megawatts. This means that the installation concerns between 10 and 12 offshore wind farms.

Electricity storage plants

Following the initial regulation of storage plants, the Ministry of Environment and Energy recently issued a ministerial decision regulating the necessary details for the implementation of electricity storage plants, which is currently under public consultation.

In September 2022, the European Commission approved, under EU state aid rules, a Greek measure with an estimated budget of €341 million to support the construction and operation of storage facilities in the electricity system.

Pursuant to the above draft of the ministerial decision, the total auctioned capacity through the competitive procedures, which are separated into three phases (A, B and C), amounts to 1,000 megawatts. The A competitive procedure will concern the auction of 400 megawatt capacity, while B and C will concern the auction of 300 megawatts each. The auctioned capacity of the A and B competitive procedures will be distributed across the regions of the National System of Electricity Transmission, while the auctioned capacity of C concerns the delignitisation zones. The RAAEY will publish the tender invitation as it is the competent authority responsible for the conduct of the competitive procedures, the award of the results and the previous assessment of the electricity storage plants (ie, in their capacity as participants regarding whether their participation was complete and valid).

Remuneration and financing of RES producers

Energy exchange

Since the outbreak of the energy crises in 2021, and due the rapid increase in the electricity market prices, RES producers preferred market participation to the concluded feed-in-premium agreements. However, the temporary measures introduced first to the day-after market and, subsequently, to the intraday market, significantly reduce the income from sales. Surplus occurs by clearing directed income to the RES account which finances the aid provided to the final consumers.

Operational state support

For most projects (with some exceptions, including small plants and those run by energy communities), operational state aid is obtained through competitive procedures in the form of a feed-in-premium, which works as a contract for difference. If the market price is above the reference price won in the auction, the producer receives the reference price and the difference is paid to the RES account held by the DAPEEP. When the market price is below the reference price, the producer receives the market price from the market and the difference up to the reference price from the above RES account held by DAPEEP.

In this regard, a state aid scheme⁽⁷⁾ for electricity generation from RES and high-efficiency combined heat and power (HECHP) plants was approved for the period from 2021 to 2025. The scheme provides for €2.27 million and a total capacity of 4,145 megawatts. Further, the European Commission has approved a scheme⁽⁸⁾ regarding the allocation of €1.4 billion to promote renewable electricity in the 29 autonomous non-interconnected island electricity systems in Greece (covering 47 islands).

PPAs

A new framework for power purchase agreements (PPAs) has arisen in Greece, particularly since the NECP, which is under revision,⁽⁹⁾ has set a target to achieve 45% of its total energy consumption from renewable sources by 2030. Long-term PPAs are a key tool in helping to achieve these targets.

Several necessary regulative amendments support the increase of PPAs in the Greek market:

- PPAs with physical delivery are excluded from the refund mechanism (ie, the wholesale electricity market cap imposed upon the revenues of the power producers as a temporary measure to address the significant increase of the electricity prices in 2021-2023).⁽¹⁰⁾
- The vertically integrated energy entities with market share above 40% (ie, only the Greek Public Power Company with a 62% share) can now enter into PPAs for 30% of the produced energy with suppliers within the same company instead of 20%.⁽¹¹⁾
- The ministerial decision regulating the priority framework for granting final connection offers for RES, HECHP and storage plants, issued in 2022 and amended in 2023,⁽¹²⁾ places the corporate PPAs into the high B priority category (having the total capacity of 4,000 megawatts) for connection to the grid, thus ensuring them priority for obtaining the connection. Pursuant to this decision, corporate PPAs are long term agreements on sale of electricity with minimum eight years duration concluded between the RES producers and either non-household corporate consumers or suppliers that sell electricity to corporate consumers.

National Recovery and Resilience Plan

In 2021 Greece has adopted the National Recovery and Resilience Plan 2.0⁽¹³⁾ and established the recovery and resilience fund (RRF). The RRF aims at both lending for and funding of projects, including RES projects and PPAs and has already provided funding for PPAs with a capacity of 200 megawatts. The RRF is structured into five pillars, one of which is the green transition, including:

- targets for the increase in RES shares;
- the reduction of greenhouse gas emissions; and
- the enhancement of the network capacity for RES penetration.

The RRF budget, as regards this pillar, amounts to €6 million, while the mobilised investment resources for the same pillar amount to €11.6 million.

EU Emission Trading System costs

The most recent approval was the €1.36 billion in compensation granted for indirect EU Emission Trading System costs in Greece from 2021 to 2030 proposed by the Greek scheme SA.103180. This approval was granted 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 that are passed on to the prices. The approval aims to address the risk arising from "carbon leakage".

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Endnotes

(1) Law 4936/2022.

(2) Law 5037/2023.

(3) Law 4001/2011, as amended.

(4) Law 4685/2020.

(5) Law 4951/2022.

(6) Law 5037/2023.

(7) SA.60064.

(8) SA.58482.

(9) The new NECP has not been published yet. It is expected that a preliminary text of the updated version will soon be sent to the European Commission in order for it to proceed to comments to be incorporated into the updated NECP.

(10) RAE Decision No. 163/2022, as incorporated in article 12A of Law 4425/2016.

(11) RAE Decision No. 928/2022.

(12) Ministerial Decision No. 7123/2022 as amended by Decision No. 374/2023.

(13) Approved by Ecofin by virtue of its executive decision No. 10152/6 July 2021 and in accordance with EU Regulation 2021/241.