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PORTUGUESE GUARANTEES OF ORIGIN

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WHAT ARE GUARANTEES OF ORIGIN (GO'S)?

1. Definition and background

A GO is an electronic document that evidences to the final buyer of the electricity that a certain amount or percentage of the electricity supplied is originated from green sources. Each GO has a face value of 1 MWh, which means that for each unit of energy produced and expressed in MWh may only be awarded one GO. GO's are valid for 12 months as of the production of the energy unit they relate and are cancelled after their use.

Although GO's system is being implemented in all European Union member states to promote of use of energy from renewable sources, in Portugal, despite its early planning (since 2012), the GO system took some time to be completed. As such, this system began to be implemented in Portugal in 2020 and the first Portuguese GO was issued in June 2020.

The entity in charge of issuing and monitoring the GO's (Entidade Emissora das Garantias de Origem – "EEGO") and of managing the GO system is REN, S.A. ("REN"), which is also the concessionaire of the Portuguese transmission grid.

The EEGO Procedure Manual made available by REN ("EEGO Procedure Manual") defines the rules applicable to EEGO and to the system of issuing and monitoring of the GO's ("EEGO System"), which is based on an online platform.

2. Is the registration mandatory?

Pursuant to the notice published by Direção-Geral de Energia e Geologia ("DGEG") on 13 May 2020, registration with the EEGO System is mandatory in the following cases:

- Installations for production of electricity from renewable energy sources and energy producers of heating and cooling from renewable sources with installed capacity above 5 MW;
- High efficiency cogeneration installations; and
- Efficient cogeneration installations subject to special remuneration regime.

WHAT ARE GUARANTEES OF ORIGIN (GO'S)? (CONT.)

3. What is the deadline for registration with the EGGO System?

Producers subject to the obligation of registering with the EGGO System had to apply for registration and request the issue of the relevant GOs until 31 August 2020.

Nevertheless, small production units (i.e., units producing up to 1 MW from renewable sources and selling their production in full to public service grid) and units of production for self-consumption are excluded until 31 December 2021.

REGISTRATION WITH THE EGGO SYSTEM

4. How can producers register with the EGGO System?

Producers of electricity wishing to obtain Portuguese GO's are required to:

- a) File an application through the online platform (<https://eego.ren.pt/>), which includes filling in forms, providing corporate documents and indicating one or two contact persons for purposes of the EGGO System;
- b) Upon approval of the application, enter into the membership contract with REN; and
- c) Register the production facilities.

Upon approval of the application, access credentials to the online platform are granted to the entity to be used throughout the process. The registration of a new entity with the EGGO System has a cost of €1,000.

5. How to register production facilities in the EGGO System?

Registration of production facilities is made at the online platform of the EGGO System, by submitting an application and information on the

specifications of the production facility, which shall be assessed by REN.

6. Which production facilities can be registered within the EGGO System?

According to the EGGO Procedure Manual, the following production facilities may be registered in the EGGO System:

- a) Facilities with operating license, or equivalent document granted by DGEG, to produce electricity from renewable energy sources;
- b) Facilities with license or prior notice granted by DGEG for the generation of energy for heating and cooling from renewable energy sources;
- c) Facilities with operating license granted by DGEG for producing simultaneously, in an integrated process, thermal energy and electricity and/or mechanical power and where thermal energy production satisfies a demand for heat or cold which is justifiable in economic terms; and
- d) Facilities belonging to the Electrical System of Mainland Portugal.

ISSUING OF GO'S

7. How are GO's issued?

Upon concluding registration with the EEGO System, the registered producer may request the issuing of GOs.

To that effect, registered producers must submit a production statement in the online platform of the EEGO System (except for electricity generation facilities from renewable sources that use only 1 (one) fuel, where, whenever possible, production statements will be generated automatically by telemetering values).

The values are always rounded off:

- a) To kWh in the production statements; and
- b) To MWh when GOs are issued.

Upon reception of a correct and complete production statement, REN should register the GO in the account of the registered producer with the EEGO System within 5 business days.

It should be noted that production statements may be subject to periodic and random checks by EEGO directly or external auditors.

Requests for the issuing of GOs must be submitted no later than 3 months after the end of the production reference period.

This means that any changes to the figures of a production statement, require submission of a new and updated production statement. Any correction to telemetering values also generate a new production statement.

The issuing of GOs is subject to the payment of a fee of €0.037/MWh to EEGO.

TRANSACTION OF GO'S

8. Can GO's be transacted through EGGO's System?

Producers may negotiate and transfer their GO's to other entities, including other producers and suppliers of energy through EGGO's System. However, this does not include promoters awarded with a reserve grid capacity title (título de reserva de capacidade na rede) in auction procedures promoted by DGEG and where the awarded promoter must pay a contribution to the National Electric System (Sistema Eléctrico Nacional), who may transfer GO's separated from the energy that originated such GO's.

When the energy produced from renewable sources benefits from a direct price support, or benefits from an investment incentive scheme or is produced under a Power Purchase Agreement ("PPA") or under an agreement for PPA's early termination, the payment of the remuneration or incentive to the producer depends on the submission of the respective GO's with DGEG. GO's delivered to DGEG may also be sold through a competitive an auction procedure organized to that effect and managed by DGEG.

9. How are Portuguese GO's trasacted?

The request for transfer of a GO is submitted in the online platform of the EEGO System by the registered participant holding the account where the GO is registered. REN shall remove the GO from the seller's account and:

- a) If the buyer is registered with the EEGO System, transfer the GO to the buyer within 5 days and give the buyer notice of the transfer;
- b) If the buyer is registered with a foreign entity equivalent to REN, notify the relevant entity and, after confirmation of the success of the transfer, confirm to the seller the completion of the transaction;

Pursuant to EGGO Procedure Manual, the transfer request may be rejected if (and only) the seller has any administrative fee outstanding with REN.

The administrative fee for concluding a GO transfer is €0.010/MWh.

RIGHTS AND OBLIGATIONS ARISING FROM THE EEGO SYSTEM

10. Which rights arise from the EEGO Membership?

Producers are entitled to register their production facilities with the EEGO System and to request the issue, transfer and cancellation of GOs through the online platform.

11. Which obligations arise from the EEGO Membership?

EEGO System Members are subject to the following obligations:

- a) Comply with the EEGO Procedure Manual, including provisions resulting amendments after the date of entry into force of the relevant membership contract;
- b) Install and maintain, at own expense of the producer, the systems and interfaces required for participating in the EEGO System;
- c) Communicate in a timely manner to REN all information requested in the EEGO Procedure Manual;
- d) Notify REN of any changes to the elements identified in the registration process or of any other information that has been requested by REN as part of such process;
- e) Comply with the EEGO Procedure Manual, including provisions resulting amendments after the date of entry into force of the relevant membership contract;
- f) Make the payments due under the membership contract within the established deadlines; and
- g) Confidentiality obligations regarding the membership contract and information exchanged in the course of the performance of the membership contract.

12. What are the consequences in the event of a default by an EEGO System Member?

In the event of a default of the above obligations, REN will notify the producer, who will have 15 business days to remedy the default.

RIGHTS AND OBLIGATIONS ARISING FROM THE EEGO SYSTEM (CONT.)

Failure to comply constitutes ground for suspension of the producer from the EEGO System. In case events that gave rise to the suspension are not remedied, the membership contract may be terminated, in which case the producer and the relevant registered production facilities will be excluded from the EEGO System.

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WHO WE ARE & WHAT WE DO

ABOUT US

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