

ROMANIA: Kick-off for CfD Incentive Scheme for Renewables

Background

In response to the ongoing energy crisis and the pressing need for carbon emission reduction, Romania designed the framework for implementing and operating the contracts for difference scheme for low-carbon technologies ("**CfD Scheme**"), offering a transformative support mechanism for renewable energy projects.

Key Insights and Terms

EU Endorsement: the CfD Scheme received the European Commission's approval, ensuring alignment with EU standards and additional funding opportunities - this sets the stage for national implementation with the first eligible technologies being onshore wind and PVs.

Mechanics: the CfD Scheme allows EU registered investors to better forecast cashflow and assist with bankability of their investment by fixing the electricity price through bi-directional monthly payments in relation to the difference between the reference market price (based on a detailed methodology) and the strike price at which an investor is granted a CfD agreement. Such arrangement will be concluded by an SPV (of the investor) registered for tax purposes in Romania with the Operator of the Electricity and Natural Gas Market OPCOM S.A. ("CfD Counterparty").

Price: for the first tender, the maximum strike price which may be offered by investors is 82 €/MWh for onshore wind and 78 €/MWh for PV. The actual methodology based on which the National Energy Regulatory Authority ("ANRE") will determine the reference market price is pending (with a certain degree of discretion expected, though).

Funding mechanism: the CfD Scheme is supported by the CfD Liquidity Fund, which will be financed mainly through the EU Modernisation Fund, with an approved amount of up to EUR 3 billion for a volume of 5,000 MW of new renewable electricity capacity, and some very minor contributions from all final consumers.

Bidding rounds: (i) year 2024: installed capacity of 1,500 MW - 1,000 MW for onshore wind and 500 MW for PVs; and (ii) year 2025: installed capacity of 3,500 MW - 1,500 MW for onshore wind and 2,000 MW for PVs.

Financial commitments: participation bond of EUR 20,000/MW and performance bond of EUR 75,000/MW, which should be provided within 15 business days from the date of the agreement.

Capacity limitations: 25% of the total capacity tendered for that bidding procedure (i.e., for the first tender, 125 MW for PV and 250 MW for onshore wind, but minimum 5 MW).

Restrictions on trading: the beneficiary of the CfD scheme is expressly restricted to trade electricity produced by the CfD covered generation capacity outside organised markets (no PPAs allowed). Compliance is annually checked by ANRE and non-compliance will trigger termination of the CfD agreement.

Eligible Bidders: companies with global or local experience in comparable projects during the last 10 years and subject to usual EU procurement documentation requirements.

Term: 15 years of price fixing.

Commissioning Date: the target date for commissioning is 36 months after the signing of the CfD agreement.

Grid Connection Permit (ATR): for the first tender, the ATR is to be obtained within 6 months after the signing of the CfD agreement.

Unilateral Termination: the CfD Counterparty may unilaterally terminate the CfD agreement (without cause) with payment of a termination compensation calculated based on a formula in relation to the market conditions at the time – such amount may be insufficient to cover the investment due to the specifics of the formula and, moreover, will need to be separately budgeted by the Romanian State as the CfD Liquidity Fund may not (currently) be used.

Tender Calendar:

Date	Steps
9 September 2024	Launching of the first CfD tender
30 September 2024	Deadline for submission of written questions/clarifications prior to CfD conference
10 October 2024	Conference for interested CfD applicants
18 October 2024	Reply to clarification questions from interested CfD applicants
18 November 2024	Deadline for submitting CfD applications
20 November 2024	Opening of technical offers
9 December 2024	Notification to qualified and unqualified bidders
11 December 2024	Deadline for submitting an objection to the eligibility of bidders
13 December 2024	Decision to accept or reject the objection
16 December 2024	Opening of financial offers – only for qualified bidders
16 December 2024	Notification of successful bidders and application form for the preparation of CfD agreements
17 December 2024	Order of the Minister of Energy approving the State aid to successful bidders
18 December 2024	Deadline for successful bidders to submit completed forms
20 December 2024	Successful bidders will receive CfD agreements to countersign
20 January 2025	Deadline for signing CfD agreements

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