

Study Regarding Accounting Treatment of Green Certificates in Romania

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Abstract

Accounting regulations approved through Order 1802/2014 makes remarks regarding the reflection of green certificates in accounting. Green certificates are titles that attest the production of a quantity of electrical energy from renewable sources. These can be traded distinctly from the amount of electrical energy that they represent. A.N.R.E. (National Agency of Energy Regulation) rewards producers of renewable electricity to benefit the promotion of sustainable energy through green certificates. Electricity providers and some producers are required to purchase a number of green certificates on a quarterly basis. They are then required to transmit to the National Agency of Energy Regulation, in the specified format and by the deadline set by them, the quantities of electrical energy for which they need to purchase green certificates, in conformity with law 220/2008. The cost of green certificates is billed separately from the price of electric energy in the invoice sent to the final customers. Providers or producers that do not meet the yearly quota must pay the value of green certificates not acquired in said time span. According to the ministry's of public finance Order 1802/2014, producers of renewable energy, that benefit from green certificates provided by the transport and system operator must register the green certificates received into their accountings using specific accounting accounts

Keywords: Green certificates, Renewable energy, Accounting records.

1. Introduction

In order to promote the production of energy from renewable sources, certain programs have been implemented, such as the system regulated by Law no. 220/2008 for the establishing and promoting of producing electricity from renewable energy sources, along with its subsequent amendments and completions.

2. Detailed Formats of Manuscript

By GEO 24/2017, amendments and completions of Law no. 220/2008 for the establishment a system, in order to promote the production of electricity from renewable energy sources and for the modification of some normative acts, became applicable starting with April 1st, 2017. Green certificates issued from this date onward become an income source only at the time of their trading. According to the legal definition, the Green Certificate is a document certifying the production of a quantity of electricity from renewable sources. In practice, green certificates are intangible assets granted by state authorities. The accounting of the green certificates received by the producers of energy from renewable sources, according to the law, starting with April 1st, 2017, is carried out in accordance with the provisions of point 301, index 1, of the accounting regulations approved by OMFP 1802/2014. Thus, the green certificates received, including those deferred from trading, after April 1st, 2017, are highlighted numerically outside of normal accounting (in extra accounting), in account 804 "Green certificates" and are recognized as income in account 768 "Other financial income" at the time of their trading .

In view of these provisions, accounting records for the receiving and trading of green certificates will be: Received green certificates, including those deferred from trading (numerically only), will be accounted for, using the off-balance sheet account 804 "Green certificates"

Traded green certificates:

507 "Green certificates received" = 768 "Other financial income"

461 " Different debtors " = 507 " Green certificates received "

Renewable energy producers and suppliers will trade green certificates on the centralized market of green certificates, as well as on the market of bilateral contracts of green certificates. By GEO 24/2017, green certificates are registered in the accounting of producers only at the time of their trading on the markets, and not at the time of issuance, which has a direct impact on the method of payment of corporate income tax. Electricity suppliers and producers obliged, according to the law, to purchase a number of green certificates annually, register the equivalent value of the green certificates purchased in account 652 "Expenses with environmental protection". If the purchase of green certificates is made before the deadlines provided by law, the value of the green certificates is recorded in account 471 "Expenses recorded in advance", following the legal deadlines, the expense will be recorded in account 652 "Expenses with environmental protection". As national accounting legislation is rather poor in information on these practices, I have used IAS / IFRS and IFRS 9 Financial Instruments, which have partially replaced IAS 39 Financial Instruments: Recognition and Measurement and the use of which has become mandatory in January 1st, 2018, for all entities that apply International Financial Reporting Standards. Thus, according to point 3.1.1 of IFRS 9, an entity must recognize a financial asset or a financial liability in the statement of financial position when and only when the entity becomes a party to the contractual provisions of the instrument. For the period 2008-2014, the trading value of green certificates was between a minimum trading value of 27 EURO/ certificate and a maximum trading value of 55 EURO/ certificate. The value in RON is calculated at the average value of the exchange rate established by the National Bank of Romania for December of the previous year (Law 220 / 27.10.2008). There are 613 subsidized green energy producers in Romania. Under the legislation that promotes the production of energy from renewable sources, producers receive a free number of green certificates, depending on the technology used, certificates that they sell in a specialized market, for a gain in addition to the actual price of energy. A number of 139 economic operators in Romania, who have a license to supply energy are required to purchase a total of 4.28 million green certificates for energy consumption in the first quarter of 2021, according to a document of the National Authority of Energy Regulation (ANRE) . At a price of approximately 142 RON / certificate, the financial effort of consumers, through suppliers, is, in the first 3 months of this year, over 607 million RON (just over 150 million EURO).

Renewable energy sources	Number of renewable energy producers							
	2013	2014	2015	2016	2017	2018	2019	2020
Refurbished hydro power plants	9	15	15	19	19	18	17	17
Biomass power plants	17	14	25	28	28	28	28	28
Photovoltaic power plants	370	403	514	577	576	276	573	568
Total	396	432	554	624	623	322	618	613

The latest report from the National Institute of Statistics, shows that, in January and February, 32.14% of the energy produced in Romania came from renewable sources.

3. Conclusion

The system of compulsory quotas and green certificates is used in countries such as the United Kingdom, Romania, Sweden, Belgium, Italy and Poland. The mandatory quota system hosts a mechanism to promote producers of electricity from renewable sources through the purchase made by suppliers of mandatory quotas of electricity produced from these sources, paid by consumers. The purchase price is set on a competitive basis. The green certificate is a document certifying a quantity of 1MWh of electricity produced from renewable energy sources. The green certificate has theoretically unlimited validity and can be traded separately from the electricity associated with it, on a market of bilateral contracts or on the centralized market of green certificates. The price of green certificates varies within a range $[P_{\min} \div P_{\max}]$ set by the government and covers the difference between the cost of producing renewable energy and the market price. Tax incentives, such as tax exemptions or reductions, can be used to encourage investment in renewable energy production. This system is only used in two countries: Finland and Malta. Precisely for these reasons, the importance of some regulations regarding the accounting of these intangible assets appears.

References

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