

Guarantees of Origin (GOs)

Summary

The Federation of Norwegian Industries and the Federation of Icelandic Industries believe that:

- In principle the Norwegian and Icelandic participation in the system for GOs should be discontinued.
- In any event, and as a rule, the sale of GOs must be connected to the sale of physical electric power. Therefore, any acquisition or disposal of GOs should be limited to the actual and physical purchase of electric power.
 - As an example, Icelandic power producers give GOs for free to Icelandic households and small businesses. This practice should be extended to all power sales in Norway and Iceland, and not conditioned to a specific group of user or users.
- Standards for greenhouse gas accounting by companies must be based on actual emissions from the physical energy mix in the grid, and not GOs. The Norwegian and Icelandic governments should enact any measures which supports the use of the location-based method for greenhouse gas reporting. For instance:
 - Instruct the Transmission System Operators (TSOs) to withdraw from the European Association of Issuing Bodies (AIB), which is a voluntary association to promote the export of GOs.
 - Design the fuel mix disclosure from the energy regulators in a way that promotes the location-based method for greenhouse gas reporting.
 - Instruct public agencies to use the location-based method for greenhouse gas reporting and not to buy GOs.
 - Influence the EU and other EU-countries to support the use of the location-based method for greenhouse gas reporting and to deviate from or discontinue the GOs system.

Background

Guarantees of Origin (GO's) is essentially a system where European electricity consumers may purchase documentation of renewable energy production. However, GO's only certifies that somewhere in Europe there has been produced as much renewable electricity as the consumer has purchased, that is 1 MWh of electricity has been produced from renewable energy sources.

The legal ground for the system of GOs is in the RES Directive (2018/2001/EC and its predecessor 2009/28/EC).

It should be noted that there is no physical connection between GOs and the actual consumed electricity due the fact that electricity is delivered into the system and the consumer cannot demand to be provided with electricity from a specific power plant. The actual consumed power will therefore inevitably depend on the physical electricity mix in the grid. This may be illustrated by the fact that one of the countries currently selling GOs is Iceland which is an isolated electricity system and has therefore no means whatsoever to transfer electricity to other EU and/or EFTA-EU countries.

GO's encourage greenwashing

Current greenhouse gas accounting standards allow companies to use GOs to report reductions in emissions from their power consumption. This opens the door for greenwashing regarding environmental accounting. An article published in *Nature Climate Change* in 2022 points to the fact that corporate purchase of GOs is unlikely to lead to additional renewable energy production and demonstrates that widespread use of GOs has led to an inflated estimate of the effectiveness of climate mitigation efforts¹. Further, purchase of GOs may be used to falsely enable reporting of low climate gas emissions by companies with production in countries with a high share of fossil energy in their grid. The actual environmental effect of power consumption depends on the power production in the power grid in the region where the consumer is located. For instance, if power plants in an area run on coal, the consumer will inevitably use coal-fired power, GOs or not. Hence, to avoid greenwashing, it is essential that location based physical energy mix is used to document greenhouse gas emissions from EU production sites.

Consequences for Norwegian and Icelandic industry

Norwegian and Icelandic industrial companies enjoy a competitive advantage as they are placed in a region with a very high proportion of renewable and green hydroelectric power in the physical grid mix. Access to renewable energy, at competitive prices, is the basis for our position as leaders in sustainable industry development. However, the GO system is undermining the nature given advantages for industry based in Norway and Iceland. Because of the GO-system, more industry will be established in areas where power consumption leads

¹ Bjørn, A., Lloyd, S.M., Brander, M. *et al.* Renewable energy certificates threaten the integrity of corporate science-based targets. *Nat. Clim. Chang.* 12, 539–546 (2022). <https://doi.org/10.1038/s41558-022-01379-5>

to high emissions, and less will be established in Norway and Iceland, than what would otherwise be the case. Thus, encouraging the risk of carbon leakage.

The federations believe that the participation in the GOs systems can lead to that greater interests are being sacrificed for lesser ones. The trading of GOs on the European market can damage the image of both Iceland and Norway as nations of renewable energy sources. For decades, the nations have marketed themselves as a country of clean and renewable energy sources, and still do so, even though the system of GOs may interfere such claims. The trading of GOs seriously alters the energy mix which does not mirror the real production of renewable electricity in Iceland and Norway, countries that in fact are leaders in Europe when it comes to renewable electricity production.

Consequences for energy transition in Europe

It can be argued that the participation of both Norway and Iceland in the system of GO seriously harm the purpose of the system which is to encourage the energy transition from non-renewable to renewable energy sources, a transition that has already been completed in both countries. The participation of both countries in the system can therefore hinder the necessary buildup of renewable power production in area within EU where such transition is seriously needed.

Political context in Norway and Iceland

The Norwegian Government has clearly stated that they want to remove the GO-system and prioritize the need for renewable power to domestic industries. In Iceland, the Ministry for Energy, Climate and Environment is currently reviewing the Icelandic participation in the system for GOs and assessing the pros and cons for the Icelandic community. The Federation of Norwegian Industries and the Federation of Icelandic Industries support these political initiatives and stand ready to provide any information desired by the authorities.