



**Annual Report
for 2006**

Association of Issuing Bodies
Annual report for 2006

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Association of Issuing Bodies

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Introduction

Dear reader of the AIB Annual Report,

This is the first time that the Association of Issuing Bodies has issued a formal Annual Report. The objective of this publication is to inform the members of the Association and all interested parties of the activities of the Association, and developments in the political and market frameworks. Naturally, it also publishes the Association's financial performance against budget for 2006.

The year 2006 has been a very successful one for the AIB. We have been able to welcome the region of Flanders as a new member, Ireland re-activated its membership and Wallonia applied for membership for the beginning of 2007. The interest in AIB is rising. We have made contacts to potential new members in Eastern Europe, and our officials have been invited to speak at conferences in Turkey, Germany, Belgium and the United States, in addition to presentations to meetings of the Association. Furthermore, a recent report to the government of South Africa recommended membership of the Association.

The following sections of this report outline the many achievements of AIB and its members. The volumes of certificates issued within the European Energy Certificate System (EECS) have increased by nearly one third compared to 2005. By the end of 2006, the share of certificates which are actually being used in the market (by redeeming them) has risen to 60%, the highest level in the history of EECS.

We have been following closely the preparations by the Commission for implementing Guarantees of Origin for electricity from high-efficiency Combined Heat and Power plant, which will be a major step in the regulatory framework for energy-related certificate schemes. The Association has been successful in preparing an EECS chapter for CHP-GO in close collaboration with the Commission, as well as a general revision of the Domain Protocols of all their members. We have also been able to approve the first Domain Protocol for generic disclosure certificates.

All these achievements have been made possible by the excellent, hard work of the various workgroups of the AIB. This demonstrates that the AIB is a real working organisation, and that it is the duty of each member to contribute to the overall success of the organisation.

The year 2006 has seen a change in the officials of the organisation. In June 2006, the term of Walter Boltz from E-Control as President finished. I am happy for being able to take over this task, and I would like to thank Walter Boltz for the great job which he has done as AIB President in his two-year term. Thanks are also extended to Paul Dirix of EnerQ, who served for four years as Board member and was Treasurer for a year finishing May 2006, when he left AIB and EnerQ. We wish him well. Paul's role has been taken over by Jan Vorrink, also of EnerQ.

This foreword is also a good opportunity to say a big "Thank You!!" to our General Secretary, Phil Moody, who has helped the EECS system and the AIB to develop from their very early days and is still a tireless worker both in the front row and behind the scene. Many thanks, Phil!

AIB will continue to work closely with the European Commission, national governments and regulators; and with the market actors that are using the services provided by AIB members. We have re-intensified the strategic discussion with RECS International, and I am looking forward to a fruitful cooperation in the future.

Christof Timpe
AIB President



AIB, the facilitator of GoO trade



The AIB was established as a result of the wish of the Western European Power Industry to enable support mechanisms across Europe, and trading of the attributes of electricity - i.e. the primary source of energy – while allowing customers to choose the power generation unit or source from which to buy their electricity. It was also important to avoid distorting organised power markets, and to ensure that the additional value was mainly returned to the power plant, and not to intermediaries.

The AIB is a service provider which has, with its standards and connected registries all through Western Europe, now enabled the vision of a pan-European market to become a reality. The standards created by AIB are used by both voluntary and mandatory certificate administrators in EU Member States. By using AIB's standards, buyers and the authorities monitoring trade are ensured a consistent standard when using the services of members of AIB in different countries.

The AIB has experienced an increasing volume of certificates traded. While the main driver is disclosure, there are also some mandatory markets using AIB's services. An emerging market is Combined Heat and Power (CHP) guarantees of origin, which are expected to contribute a new market segment. AIB has developed a standard for these, which is consistent with EU requirements and calculations, although some details have yet to be agreed at a European level: the changes in EU requirements will be taken into account as soon as they are available. In this way, the users of AIB services can be sure that a tradable Guarantee of Origin (GoO) fulfils EU requirements. This is a prerequisite to ensure liquid markets and utilisation of GoOs redeemed outside of their country of origin.

The AIB is in the process of testing a new electronic communications Hub for the exchange of GoOs between national registries. The Hub is expected to ease the exchange of messages for trade across borders and to lower the cost of operation of the registries.

The creation and practical implementation of standards by AIB has been financed by trading activity: the Association has not received any public support or funding, other than that made available initially by the European Commission, enabling AIB to prove the viability of the concept. This has made the Association and registries containing the certificates self-sustaining, which is essential for a lean and fit organisation to implement these solutions. It also ensures future activities support with the needs of the market.

One of the future challenges of the AIB is to gain the recognition of the EU Commission of the AIB standard for renewable electricity guarantees of origin (RES-GO). This is important, if an open and consistent internal market for GoOs is to be ensured in the EU. The AIB has the solutions, and these are well tested over several years of operation.

As the number of members of AIB increases, so does the need to strengthen auditing of members of the AIB, in order to verify that the operational activity of members is in accordance with the standard. New audit routines are about to be implemented as a proactive step to ensure that there are no flaws in the services of AIB and its members.

I would also like to use this opportunity to welcome the new EU Member States. The AIB standards offer them an excellent opportunity to implement the GoO requirements contained in the Directives at lower cost than they would have had without them.

Since I am about to leave the AIB due to the challenges a new position within Statnett, I would like to thank all of the members of the AIB for the support that they have given AIB. In particular, I would like to thank those participating in the Working Groups and the Board, who have put extraordinary effort into the development of the standards and the technical

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solutions. Without these efforts, the Association would not have gained such wide acceptance in Europe.

At last but not least, I would like to thank the market participant and public officials for the close and good cooperation in developing this market. This cooperation will also in the future be essential to enable good market solutions.

*Jon Hov Lauritzen
Chairman of the Board*

Mission statement and activities

“The Association of Issuing Bodies is the leading enabler of international energy certificate schemes.”

The AIB is in the process of becoming the preferred European organisation for the international standardisation of certificate administration, as an independent coordinator of the organisations companies responsible for certificate systems. In support of this, it promotes and supports safe and secure transfer of certificates between member organisations, collecting and publishing reliable information about the certificate activity of its members. It continually seeks to raise the quality and scope of its products and services, while respecting the privacy and confidentiality of the underlying information.

In its decision-making processes, the AIB takes into account the national legislation of members, their level of certificate activity and capacity. Its management bodies ensure that the views of all members are taken into account, while retaining continuity over time. Members have voluntarily contributed substantial amounts of their time over 2006, and in return have the reward of seeing a challenging and interesting new market develop.

The AIB is a not-for-profit organisation, and recovers its costs primarily in an activity-based manner. 2006 has seen it remain financially solvent, while at the same time supporting a range of activities in the formulation, enhancement and implementation of new and current standards.

During 2006, the AIB has been engaged in the continued enhancement and implementation of its standards, which are now in place in 16 European countries; and now support all forms of electrical energy. In addition to its support for voluntary RECS certificates and “disclosure certificates” which enable the source of all forms of electrical energy, including fossil and nuclear, to be identified, the AIB standard now addresses the requirements of high-efficiency combined heat and power laid down by Directive 2004/8/EC; and those of renewable electricity, as set out in Directive 2001/77/EC. In developing the standards for CHP, the AIB has cooperated closely with the European Commission, to ensure that its standard is fully in line with Commission requirements in this politically and technically challenging policy area.

In addition, the AIB has developed and is current trialling an electronic communications Hub, which will provide a single point of contact for all inter-registry certificate transfers; thus improving efficiency and reliability, and providing support for enhanced information gathering.

The AIB is also putting in place a program of auditing member activities, in order to ensure that they fully comply with the standards.



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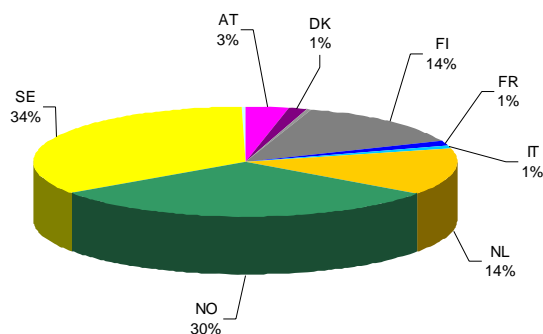
Certificate activity for 2006

Volumes issued and transferred continue to increase at a greater rate during 2006 than in previous years, while redemption increased markedly to 60% of all issued certificates. The major certificate issuing countries remain Norway and Sweden, then Finland and Netherlands (which are both diminishing as issuers). However, the position of Austria as a major issuer is being replaced by Belgium (Flanders). Netherlands and Austria remain the two major redeeming countries; and Norway, Belgium, France, Germany, Italy and Spain are redeeming an increasing number of certificates. Conversely, Slovenia has virtually ceased redeeming, and redemption in Finland has decreased sharply.

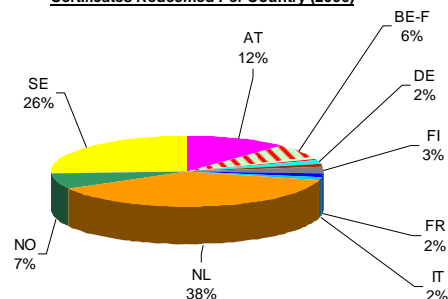
	Total		2006	
	Issued	Redeemed	Issued	Redeemed
Austria	7,230,819	14,910,054	208,264	4,602,618
Belgium Flanders	534,839	2,308,670	534,839	2,308,670
Belgium and Luxembourg	113,390	945,381		437,651
Belgium Wallonia				
Switzerland	1,768,783	818,191	820,502	179,984
Germany	48,351	684,776	616,653	
Denmark	2,191,198	25,178	529,882	564
Spain	3,553,927	1,074,509	604,270	571,403
Finland	35,782,681	10,618,498	7,056,366	1,112,145
France	2,199,942	1,387,035	906,969	610,996
Greece				
Ireland				
Iceland				
Italy	2,051,449	903,263	1,185,323	573,660
Netherlands	16,538,547	36,527,701	6,479,515	14,306,508
Norway	52,083,010	8,107,777	19,762,654	2,711,968
Poland				
Portugal	261,797		173,857	
Sweden	52,820,087	13,208,545	25,105,947	9,749,209
Slovenia	3,768,110	1,792,644		23,462
Turkey				
UK	90,158			
All countries	181,037,088	93,312,222	63,368,388	37,805,491

	Report for all countries		2006	
	Issue	Redeem	Issued	Redeemed
Onshore wind	9,528,985	5,181,695	3,614,916	2,231,315
Offshore wind	56,104	5,720	41,658	
Photovoltaic	8,716	5,995	3,172	3,095
Thermal				
Hydropower	131,923,667	58,879,192	52,907,234	29,269,550
Onshore tidal				
Offshore tidal				
Onshore wave				
Offshore wave				
Geothermal	261,516	102,898		
Energy crops	278,923	196,478	4,459	2,778
Forestry etc	29,924,741	23,336,055	3,264,234	3,477,890
Landfill gas	654,758	200,957	306,379	108,838
Sewage gas	36,205	35,577	966	4,825
Other biogas	129,340	53,418	93,194	35,603
MSW	2,975,770	1,279,049	901,600	705,196
IB&CW	5,258,363	4,035,188	2,230,576	1,966,401
Total	181,037,088	93,312,222	63,368,388	37,805,491

Certificates Issued Per Country (2005)

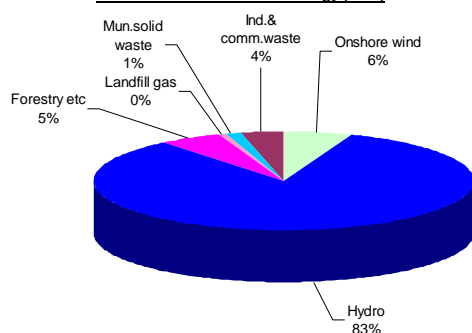


Certificates Redeemed Per Country (2006)

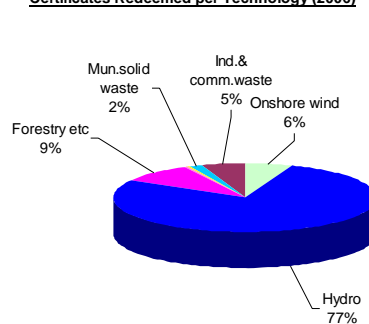


Regarding technologies, hydropower and municipal solid waste continue to grow; while forestry and wind decrease diminish. However, a smaller percentage of certificates redeemed are for hydropower than for other technologies.

Certificates Issued Per Technology (2006)

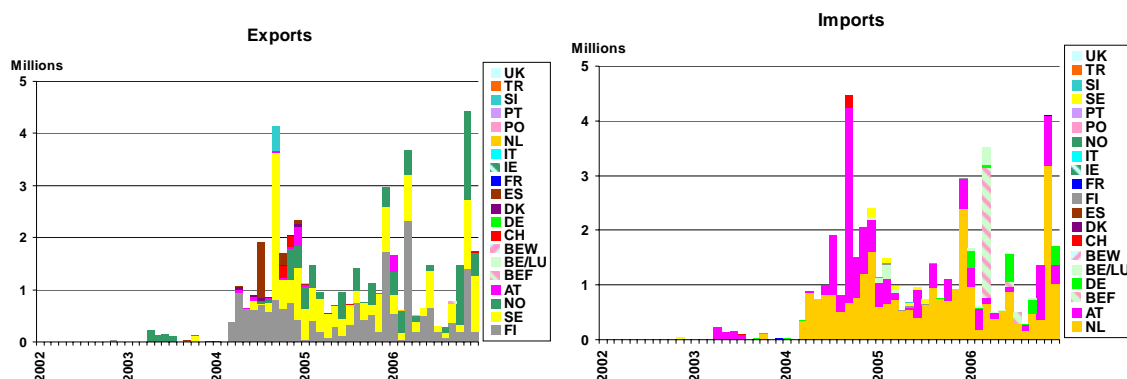


Certificates Redeemed per Technology (2006)



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The largest exporters remain Sweden, Norway and Finland; while Austria and Netherlands and increasingly Germany remain the major importers. Interestingly, transfers have stayed fairly constant for the last three years, at a time while issuing and redemption have grown 30-50% per annum.



Membership continues to grow, with Flanders joining, Ireland rejoining and Wallonia having applied for membership for 2007. Also in 2006, Grexel took over as issuing body for Finland and Sweden from Fingrid and Svenska Kraftnat.

For **Benelux**, Belgian RECS activity diminishes with the forthcoming membership of Wallonia (eCerte is currently acting as the agent of the CWaPE), and continued increasing activity in Flanders, where issuing continues to grow along with redemption and international trade; and Dutch issuing and redemption continue at 2005 rates, although exports are larger than in previous years and imports a little less.

Regarding the **Nordic** countries, Denmark continues to be a minor participant in the market, only issuing certificates this year; Finland issued and redeemed less than its usual large number of certificates, but still remains a major participant, exporting more than ever; Norway continues to issue, export and redeem certificates at a higher rate than ever before; and Sweden continues to issue more certificates than ever before, redeeming large numbers but still exporting the same as in previous years.

Of the **Mediterranean** countries, France is growing fast in issued, redeemed and imported certificates; the Italian market has been growing at a similar rate to the French market, but with no international transfers; Slovenia has redeemed a small number of certificates, but has otherwise been inactive for the past year; and Spanish issuing recommenced in late 2006, leading to higher redemption than in the past (international transfers await a revised Domain Protocol).

For **central Europe**, Austria issued very few certificates in 2006, but the volume of imported and redemption certificates continued to increase; Switzerland was relatively quiet this year until April, when redemption rose sharply, followed by issuing, since when there has been little activity; Germany imported and redeemed large numbers of certificates (the impact of the new Disclosure scheme has yet to be seen);.

Finally, on the **Atlantic** coast, Ireland has yet to get off the ground, although there are signs that it may become active in 2007; and Portugal continues to issue larger numbers of certificates than in previous years, but has yet to transfer or redeem any.

2006 Achievements

High Efficiency CHP Guarantees of Origin

The European CHP Directive ([2004-8-EC](#)), requires Member States to implement by 21 February 2006 systems to guarantee the origin of high-efficiency CHP. The AIB certificate system can facilitate this, since these certificates are first and foremost guarantees of origin. The background to the Directive and its ongoing implementation are follows.

The priorities of the European energy strategy include: completion of the internal energy market; security of supply (Primary Energy Savings); sustainable, efficient and diverse energy mix; reduced global warming by means of primary energy savings and CO₂ savings; energy technology plan and innovation; and a common external energy policy.

The Green Paper on energy efficiency was developed for a number of reasons: improving the cost-effectiveness of energy efficiency conferred benefits to the economy of perhaps 20 % savings; reduced wastage of rare resources and emissions of greenhouse gases would contribute to Kyoto commitments; and security of energy supply would be promoted. This is expected to benefit all sectors in production and end-use, industry and services, households and buildings and transport. These benefits would be achieved by means of Directives, objectives, financial incentives, information and training, and integration of efficiency with other initiatives.

There were three main pillars of the action plan: awareness at various levels (including education, training and labelling of appliances); improved mechanisms for financing energy efficiency; and implementation and function of existing EU legislation. The end-use platforms are the transport sector, the energy transformation sector, and energy efficiency in foreign and trade policies.

The instruments for EU energy policy include legislative measures, such as: EU Directives, electricity from renewable energy sources (RES), biofuels, the labelling of appliances, minimum efficiency requirements for appliances, energy performance of buildings, cogeneration (CHP), eco-design (Energy Using Products, including boilers) and energy end-use efficiency and energy services. They also include programmes, such as the 6th RTD Framework Programme and Intelligent Energy – Europe (including SAVE and ALTENER).

The major instrument regarding the promotion of Cogeneration (CHP) is Directive 2004-8-EC. This was adopted on 11 February 2004 with the intention of achieving complete transposition in Member States by 21 February 2006. Unfortunately this was delayed because comitology. On 21 December 2006 the Reference Values were decided on by the European Commission. They were published on 6 February 2007 in the Official Journal of the European Union. Therefore it is now official that Guarantees of Origin must be issued by Member States by 21 June 2007.

The Directive has an informal indicative target of increasing the share of CHP electricity from 11 % in 1998 to 18 % in 2010. It includes harmonised definitions, Guarantees of Origin, access to electricity grids, identification and elimination of administrative barriers, the possibility of support systems for high-efficiency CHP, and the analysis of the national potential in Member States and statistical requirements.

In November 2004, a study was launched to help the implementation process (the committee procedure or comitology) to develop: Annexes II and III on reference values for energy savings and calculation methodology; and Annex IV for guidelines for the analysis of the national potential of Member States. A number of supportive actions were undertaken, including workshops on CHP statistics (Eurostat with DG TREN) and Guarantees of Origin (Member States with DG TREN); and for new Member States (JRC with DG TREN).

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Other actions included: scrutiny of legislation and support systems for CHP, and of CHP projects co-funded by the EU, EIB and EBRD; contacts with market players and stakeholders; and exploring new developments (micro-CHP, trigeneration, Biomass Action Plan).

Article 5 of the CHP Directive requires Member States to put in place a scheme for Guarantees of Origin of electricity from high-efficiency CHP (CHP-GO). These CHP-GO will be based on the reference values which are to be formally approved by the Member States in June 2006, and are now likely to be published early in 2007, along with the official detailed guidelines for Annex II. Member States must administer the CHP-GO system themselves, or by means of bodies independent of generation and distribution within 6 months of the official adoption of these reference values. While schemes for CHP-GO are not necessarily linked to national support schemes for CHP, this is permissible.

Legal general requirements for GOs are that they be reliable, accurate, transparent, fraud resistant and recognised by all Member States. Legal specific requirements for GOs are the declaration of: lower caloric value of the fuel source for the electricity; specification of the use of the combined heat production; quantification of the electricity in conformance with Annex II; and specification of Primary Energy Savings (PES) based on the reference values.

Considerations of the Commission to help Member States in the development of CHP-GO schemes: provide assurance that as many Member States as possible will soon have schemes which comply with the CHP Directive; avoid too much diversity in national CHP-GO schemes, to facilitate mutual recognition and exchangeability in the internal market; create GOs that can be used for support schemes; create GOs that stakeholders can really use; and support a European system which has critical mass.

The Commission supports co-operation of the Commission in this matter for the following reasons:

- The AIB agrees that the Commission can check the legal requirements following on from the CHP Directive and comitology;
- The Commission can see many positive elements in the AIB system. The AIB is controlled by TSOs and/or energy regulators, and already half of the EU Member States are represented in AIB, and have substantial experience in trading GOs and certificates. The AIB EECS system is voluntary, but used and appreciated by the major commercial players, including utilities and industry, and is robust and cost-effective. Critical mass has been achieved for use of CHP-GOs on a European scale, and the ready-to-use nature of the system supports fast implementation of CHP-GOs by Member States.

In the short term, the AIB and the Commission plan to consult with Member States and other stakeholders, concerning the fine-tuning of the AIB text, and to confirm which Member States might be interested in participation and whether any potential barriers still exist. The AIB formally adopted the text of the EECS chapter on 2nd July 2006. The AIB will continue to cooperate with the Commission in order to guarantee consistency with future CHP committee decisions, especially the calculation methodology. After this, it will be up to Member States and their designated competent bodies to join the AIB CHP-GO system.

In the longer term, there will be progress reports and data from Member States, input from stakeholders (AIB and industry) and evaluation by the Commission of the effects of the legislation. Possibly, there will also be further initiatives (harmonisation, action plans and proposals); and there is a possibility of stronger coherence and/or a wider range of other legal initiatives and trends, such as white certificates, CO₂ savings calculations e.g. ETS and disclosure. The AIB will continue to cooperate with the Commission to guarantee consistency with future CHP committee decisions, wider legislation and technological developments.



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Approval of Issuing Body Domain Protocols

2006 was a very fruitful year, in which the AIB implemented a set of measures designed to strengthen the reliability and increase the scope of its activities.

The Basic Commitment encompasses a set of documents which detail the principles and rules of operation of the Association – for this reason, it is also known as “the PRO”. From an initial document supporting voluntary RECS certificates, during 2004-2005 the PRO was substantially revised to support the enlargement of the scope of the Association to address the requirements of all energy certificate “schemes”. This recognised the role of a number of AIB members in administering other national certification schemes than RECS, and developing common standards for certification of generation based on expertise gained by the AIB in standardisation of certification was considered the most efficient approach.

The PRO was approved in March 2005. Initially it supported RES-GO, voluntary RECS certificates and Disclosure certificates, and since then it has been enhanced to support CHP-GO.

The AIB recognises that national legal, financial and technical systems differ, and for this reason allows members to implement the provisions of the PRO in a way which complies with an agreed set of core principles, but acknowledges national peculiarities, setting this out in a Domain Protocol (DP). Thus a DP might address such matters as the managing of metering and audit of power plants, and contain technical information concerning the certification of generation within that electricity system. Consequently, the AIB required all of its members to adjust their national Domain Protocol (DP) by June 2006 to ensure compliance with the provisions of the PRO.

The Domain Protocol, together with other relevant documents – including national legislation (translated into English) and the terms and conditions under which services are provided to market parties – form the Domain Scheme.

One of the most important factors supporting the credibility of AIB operations - and consequently the trust of the market - is that the General Meeting of the AIB will only approve a Domain Scheme which has been successfully reviewed by two other members of the Association, who must be convince that the core principles of the PRO have been satisfied.

At the end of 2006, the AIB has 17 members representing 16 European countries. Excluding the members representing Flanders and Wallonia, all members are RECS issuing bodies. In addition, the members representing Austria, Belgium, Denmark, Finland, Germany, Netherlands, Norway and Sweden also administer RES-GO. The member representing Germany also administers a Disclosure scheme.

The AIB considers that the value of its European Energy Certification System (EECS) lies in the ability of members to adapt the concept to their own national requirements, offering a common means of facilitating the market and offering a trustworthy tool to final customers.

The International Residual Mix project

Electricity disclosure

Article 3 (6) of the Internal Electricity Market Directive (2003/54/EC) places a disclosure obligation upon electricity suppliers. This means that each electricity supplier is required to provide their final consumers with accurate information about the sources of energy that were used to produce the electricity that this supplier delivered to its customers during the previous year.

The Directive requires that the information provided by the suppliers be reliable. That means that it must be accurate, and double counting must be avoided. To be able to accurately



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disclose all energy sources, suppliers need a tracking mechanism that is fully unbundled from the physical electricity market.

Suppliers may use several tracking mechanisms – e.g. certificates – to gain information on fuel sources of electricity. In order to provide an accurate, transparent and efficient solution for the tracking of production attributes for the purpose of electricity disclosure as well as other purposes, the AIB created a harmonised certificate scheme (the European Energy Certificate System – EECs). EECs certificates can be used to disclose electricity: RECS and RES-GO certificates provide information on electricity from renewable energy sources, and Disclosure and CHP-GO certificates enable the tracking of fossil and nuclear electricity.

The shortcoming of production statistics for disclosure

Where tracking of information between generators and suppliers of electricity is not possible, statistical data can be used to support disclosure (e.g. Austria and Germany use the production statistics for the European mainland provided by UCTE). Unfortunately, all available statistical information is purely production data, which has not been adjusted to reflect electricity already accounted for by mechanisms for tracking production attributes. Consequently, the combination of tracked information and production statistics for purposes of disclosure inevitably leads to double counting.

The International Residual Mix

The AIB plans to provide a better alternative to the use of a simple national blend of generated energy: the International Residual Mix (IRM). This is the result of adjusting the European production-fuel mix to reflect tracked production attributes and will be calculated as follows:

$$\begin{aligned} &\text{European production fuel-mix} \\ &- \text{Reliably tracked production attributes (RTPA)} \\ &= \text{IRM} \end{aligned}$$

In the beginning, the IRM will contain three fuel sources: renewable, fossil and nuclear. At a later stage, the IRM might be expanded to more detailed fuel sources. Suppliers will be able to use the IRM for all fractions of electricity of unknown origin.

The first steps to calculating this IRM are to:

1. Collect attributes of all electricity generation in the EU (based on data taken from appropriate statistics). AIB has in principle secured an agreement with UCTE to use their figures.
2. Collect reliably tracked production attributes in each of the member states. These RTPA are allocated by independent and reliable tracking systems. A typical example of such systems would be a feed-in support system for RES-E, which allocates the attributes of supported RES-E generation on a pro-rata basis to all those final consumers who are paying for the cost of the feed-in system.

The AIB is developing guidelines concerning the use of the IRM and AIB certificates jointly for disclosure processes. In 2006, AIB defined the principles of the IRM. The project for 2007 is to calculate an IRM for 2005 as a first experience. Some channels for the collection of RTPA in time to meet disclosure obligations will be set up.

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External life

Design of communication tools

The AIB decided, in 2006, to put more emphasis than in earlier years on external communications. To this purpose, it created a working group “External Affairs”, whose task it is to develop the tools to support communication with the AIB’s target groups.

The working group started with a redesign of the website, allowing more user-friendly navigation, easier location of documents and more complete pages on European matters, along with a worldwide overview of certification issues.

The working group also launched a quarterly newsletter which is e-mailed to the AIB’s list of contacts. Four issues were published in 2006, after each general meeting. These newsletters can be consulted on the Association’s website. They focus on the activity that AIB conducts during general meetings; supply updates on the volumes of certificates issued, traded and redeemed; and give specific news relating to AIB members and to their countries’ framework which can impact energy certification.

Meeting potential members

The AIB officials also held a series of meetings with potential new members alongside AIB gatherings.

The Maribor general meeting in September 2006 introduced potential new members from the Croatian energy market operator (Hrote), the Bosnian and Herzegovinan energy regulator (FERK) and the Serbian energy regulator (REERS).

A representative of the Brussels regulator, IBGE, joined the Vienna general meeting in November. Also present at the Vienna meeting were representatives of the Russian federal hydro-generation company (HydroOGK) and the wholesale power market trading system administrator (RAO UES), who joined the meeting to share experiences of market design and to explore the potential membership of Russia.

The CWAPE, Wallonia’s regulator, participated in the last three general meetings of 2006 as an observer and expressed its intention to become a member in 2007.

Interaction with EU officials

Close cooperation with the European Commissioner for cogeneration, Guido de Wilt, has been pursued by the AIB regarding the development of the CHP Chapter (see page 8).

Interaction with RECS-International

As in the past, AIB and RECS-International (the association representing market parties dealing with certificates), continued to organise their general meetings to coincide with common events.

On these occasions, the Boards and Presidents of the two organisations meet at Joint Board meetings to update each other on the activities in progress on each side; and inform their counterparts on their future development plans, with the aim of establishing harmonised and coherent strategies.



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Internal life

The decision-making body of the AIB is the General Meeting, which meets quarterly at varying locations in Europe. Meetings tend to be over a two day period, to enable decision-making at working and executive level. Normally, there is a social event associated with meetings, usually a dinner, giving members the opportunity for informal discussions.

The President of the Association is Christof Timpe of Oeko-Institut, Germany (pictured right).



The Management Board is responsible for day-to-day management of the Association, and meets monthly, alternating physical meetings with teleconferences. The general cycle of meetings is organised so that budgetary plans are approved at the March General Meeting. The chairman of the Management Board is Jon Hov Lauritzen of Statnett, Norway, and members are Natascia Falcucci of GSE, Italy; Jan Vorrink of EnerQ, Netherlands; and Diane Lescot, of Observ'ER, France.



Jon Hov Lauritzen



Natascia Falcucci



Jan Vorrink



Diane Lescot

In 2007, the chairmanship passes to a new Board member, Marko Lehtovaara of Grexel, Finland, due to Jon Hov Lauritzen leaving the Board to take up a new role within Statnett. Ulf Moller of Statnett, Norway and Thierry van Craenenbroeck of VREG, Flanders will also join the Board.



Marko Lehtovaara



Ulf Moller



Thierry van Craenenbroeck

The General Meeting, Board and working groups are supported by the Secretariat, and the Secretary General is Philip Moody, of the UK.



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Task Forces are formed to address individual, time-bounded issues. In the past, these have examined such matters as development of a calculation methodology to enable the international residual mix to be calculated; a review of the fundamental EECS business concept and process; and the economic consequences of the different tariff structures of members.

Working groups meet as necessary, sometimes monthly but more usually bi-monthly. These address ongoing issues, including:

- **Workgroup Internal Affairs** (internal regulation of the Association, and administration and development of the EECS standard) - *chaired by Gineke van Dijk of CertiQ, Netherlands*

Members and AIB subgroups are provided with legal advice relating to the activities and strategy of the AIB, in order to ensure the effectiveness of the relationship between AIB and its members; and to improve cooperation with third parties. Legal advice is also provided concerning matters such as AIB intellectual property, and the resolution of disputes relating the internal governance of the Association. In addition, assistance is also given to members seeking to gain membership of the Association.



Operational rules for a harmonised certification system compatible with national schemes and the evolution of European legislation are under continuous development; a particular challenge being the identification of possible points for of harmonisation.

Compliance with these rules is also audited and encouraged, in order to guarantee the efficiency, robustness, functional correctness and security of certificate management practices at member organisations; and the harmonisation of operation between member organisations.

- **Workgroup Systems** (interfaces between computer systems) - *chaired by Ursula Maarse of CertiQ, Netherlands*

System efficiency and enhancement are promoted, along with the development of interfaces between the computerised registries of members with each other, and with other AIB systems such as the inter-system Hub.

AIB standards are, as far as is reasonably possible, based upon international standards and methodologies, and to this end AIB coordinates its activities so as to keep in contact with appropriate groups within other International organisations involved on the same issues.



The scope of the overall system is extended as necessary to encompass the needs of other types of certificate, including CHP-GO and Disclosure certificates, through the development, improvement and implementation of data definitions; protocols for data transfer, including response times and data formats, and arrangements for sharing data; and statistical reporting and transaction logging. Due to the postponement of the Hub, costs have been lower than expected this year.

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- **Workgroup External Affairs** (provision of information) - *chaired by Diane Lescot, of Observ'ER, France*

Information is made available in the form of the written and spoken word (including newsletters, technical publications, presentations at conferences, workshops and briefings and the internet) to members, stakeholders, government, NGOs and the public.

Such information includes that relating to events and other relevant matters such as new trader accounts and analyses of certificate activity.



Budget / actual income and expenditure

Position at Jyske Bank

2006 commenced with €69,449 brought forward in the bank account. Receipts of €366,301 membership fees and VAT refunds were offset by expenditure of €303,154 resulting in €132,596 carried forward to 2007. An allowance of € 91,341 should be made for work undertaken or commissioned but either not yet invoiced or not yet paid (including the Hub, and further work on the CHP Chapter by COWI); and €1,528 in unpaid membership fees (it is anticipated that these will be collected / paid within the first quarter of 2007) plus €10,736 VAT refund.

Position against budget

Income was €12,449 more than anticipated.

The major underspend in 2006 was €88,357 due to the late delivery of the Hub and consequent underspend on other activities: it is anticipated that this will be accounted for in the 2nd quarter 2007. In addition, the deferment of printing and audit work for a year has released €22,000 to 2007. In contrast, the development of the CHP Chapter of the PRO, which was not anticipated in the 2006 budget, led to overspend of €15,174. Other items of overspend are minor by comparison - €1,049 on bank facilities and expenses (in 2006 these included conference and teleconferencing facilities, which was not foreseen during the budget setting process).

Annual costs	Budget	Expenditure	Variance
Administration	€ 145,643.50	€ 146,692.69	-€ 1,049.19
Workgroup Internal Affairs	€ 70,600.00	€ 85,774.20	-€ 15,174.20
Workgroup External Affairs	€ 44,000.00	€ 22,000.00	€ 22,000.00
Workgroup Systems	€ 97,000.00	€ 8,642.31	€ 88,357.69
TOTAL FOR 2006	€ 357,243.50	€ 263,109.21	€ 94,134.29

Annual income	Budget	Income	Variance
Income	€ 306,821.95	€ 319,271.43	€ 12,449.48

As AIB benefits from economies of scale and recoups its investments, so the cost per EECS certificates has fallen, to the extent that the cost in 2006 has fallen to 35% of that in 2003.

Reports from members

Austria

Energie-Control GmbH (E-Control) is the regulatory authority for the Austrian electricity and gas market and was founded in March 2001. E-Control joined the AIB in summer 2001 in the course of the Helsinki Meeting. Ever since then, E-Control has actively contributed to the development of the association. E-Control representatives have participated in several Working Groups, and have also assumed different offices within the association. Thus Dietmar Preinstorfer held the office of Vice-President and Treasurer for a one year period; and Walter Boltz, Chairman of E-Control, headed the Association as its President from summer 2004 to summer 2006.



Certificates in Austria

E-Control and the Austrian market participants have been very active in the international trade of certificates, both import and export. Certificates are the basis of the Austrian disclosure system, and so electricity disclosure is the main driver of the certificate market.

E-Control encouraged the AIB to also endorse Guarantees of Origin (GO) next to RECS certificates, because it firmly believes that GO will be a motor in the future EU Green Electricity development. Regarding the future of the AIB, we have high expectations of the new certificate schemes developed by the AIB, especially CHP GO and disclosure GO. After a consultation process with the Austrian market participants, E-Control will decide in the course of 2007 whether or not to join the certificate schemes.

Another major step in the development of a (green) electricity certificate market is the Austrian GO database. It is planned to officially switch from RECS CMO to this database as soon as the AIB has developed and tested the inter-registry Hub.

We hope that the AIB will continue to grow, especially with regard to the new Central and Eastern European member states, as well as the countries of the South-East European Energy Treaty, since due to their geographical situation they constitute natural partners.

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Belgium (Flanders)

VREG is responsible for the efficient organisation and operation of the Flemish electricity and gas market. It appoints the distribution network operators, grants delivery licences to suppliers and issues certificates/guarantees of origin to producers of electricity from renewable energy sources and combined heat and power systems.



VREG has first and foremost a control function. It carries out careful monitoring, to ensure that the distribution network operators and suppliers comply with legal and statutory obligations. Examples of these are the public service obligations to which the various parties in the market are tied.

Along with this, VREG acts as an advisor to the Flemish authorities to optimise the organisation and working of the energy market. It follows the trends in the Flemish energy market, considered in a European context.

The VREG has been operational since the 1st of December 2001.

Within the framework of AIB, VREG is responsible for the Flemish CMO for RES-GO. Starting from 1st January 2007, VREG is also appointed as the issuing body for CHP-GO in Flanders.

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Belgium (Wallonia)

The *Commission Wallonne pour l'Énergie* (CWAPE) is the regulator for electricity and gas in Wallonia, Belgium. For that Region, it is an independent body in charge of both regulating and advising the Authorities for the regional markets of gas (35 TWh) and electricity (24 TWh). While the federal regulator keeps other statutory powers (e.g. transport, tariffs, nuclear power), CWAPE is the sole authority in charge distribution, public service obligations, generation from renewable energy sources or combined heat and power systems (CHP).



A support mechanism has been in place in Wallonia since 2003 for the generation of renewable and CHP electricity (both are locally named “green”). This green quota obligation is imposed on suppliers and managed by CWAPE. The level of support varies between 10 €/MWh and 200 €/MWh, electricity not included, depending on the environmental performance of the generation. This certificate system has led in 4 years to a 100% increase in generation of renewable electricity and a 50% increase in generation with CHP. The expected growth for the coming years is of same order.

Guarantees of origin (GO) have been implemented in Wallonia since 1st January 2007 in order to allow suppliers to inform final customers of the nature of the electricity (disclosure based on GOs). Each final customer will soon be able to choose between electricity products containing various proportions of renewable and/or high efficiency CHP electricity. In order to easily import and export GOs, CWAPE is currently applying for membership to the AIB.

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Belgium and Luxembourg (RECS certificates)

e-CERTe vzw/asbl is the Issuing Body of RECS certificates for Belgium and Luxembourg.

e-CERTe vzw/asbl can also import/redeem GOs into the Walloon and the Brussels regions of Belgium and into Luxembourg.



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Denmark

Energinet.dk is an independent public enterprise. As the owner of the main electricity and natural gas grids in Denmark, we maintain security of supply and ensure efficient electricity and gas markets as well as the integration of renewable energy.



We are responsible for research and development in the fields of electricity and gas and administer a politically determined budget of DKK 130m for the development and demonstration of environmentally friendly power-production technologies. The enterprise has a turnover of DKK 8bn.

Energinet.dk sees tradable energy certificates as a natural development of the electricity market and is among the founding members of the AIB. Energinet.dk is appointed by Executive orders in accordance with the Electricity Law to issue Guaranties of Origin, to prepare general declarations for the average electricity supply and to set conditions and guidelines for individual declarations on specific electricity supply. The EECS standard enables Energinet.dk to conduct these duties in an efficient way.

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Finland and Sweden

Grexel Systems issues EECS certificates in Finland and Sweden. Grexel is a privately owned company with a tight focus on electricity certificates and central certificates registry systems.



In 2006 Grexel issued Guarantee of Origin EECS certificates and acted as a Central Monitoring Office (CMO) for Norway, Denmark, Austria and Slovenia. In addition Grexel maintained the central certificates registry system for Swedish national electricity certificates, Elcerts.

Grexel's year 2006 in numbers

- 32 TWh Renewable Guarantees of Origin Issued
- 4,000 production plants registered in systems managed by Grexel
- 40 GW of total installed capacity registered in systems managed by Grexel
- 2,500 account holders registered in systems managed by Grexel

Outlook for the year 2007 and onward

In addition to Guarantee of Origins, Grexel started issuing RECS certificates on January 1st 2007. During the year 2007, preparations for issuing of CHP Guarantee of Origin and Disclosure certificates will be made. Also the total volume of issued renewable certificates is expected to grow.

Grexel will continue the development and maintenance of registry systems. During the year 2007, the next generation central certificates registry system, codename "Kantele", will be published.

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France

Founded in 1980, Observ'ER is a not for profit association, specialised in monitoring and promoting renewable energies. It conducts regular surveys on the development of renewable energy sectors in the European Union (among which is the EurObserv'ER barometer, downloadable from www.energies-renouvelables.org) as well as ad hoc research. Observ'ER publishes every two months *Systèmes Solaires*, the only French magazine on renewable energies.

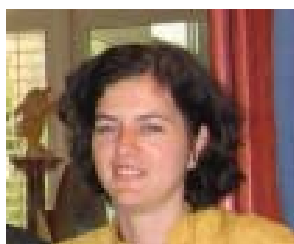


Observ'ER has been involved since 1999 in the elaboration of the RECS system and is a founding member of the Association of Issuing Bodies.

Observ'ER has been the issuing body for RECS in France since the system was established in the country. The first RECS certificates were issued in December 2002. The activity of the French issuing body has been increasing steadily since then. Volumes for 2006 represent 40% of all 2,199,942 certificates issued; and 44% of all 1,387,035 certificates redeemed by Observ'ER. At the end of 2006, the RECS system in France has registered capacity of 1,039 MW from hydropower, onshore wind-power, landfill biogas and municipal solid waste.

In 2007 Observ'ER will continue to issue RECS certificates, and expects an increase of the activity following the opening of the domestic electricity market on 1st July 2007.

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Germany

Oeko-Institut e.V., a non-profit research institution, has been commissioned by RECS Deutschland e.V. since 2001 to act as the Issuing Body for the German EECS Domain.



As German legislation does not clearly nominate an Issuing Body for green certificates, Guarantees of Origin and disclosure certificates, a contract with the representation of the market players was seen as the most adequate way of nominating the Issuing Body.

Together with the introduction of the Principles and Rules of Operation of AIB (PRO) in 2005, the German Domain extended from the previous RECS scheme to both RECS and Guarantees of Origin for RES-E. In 2006, Oeko-Institut was the first Issuing Body to implement the new EECS scheme for Disclosure Certificates. Depending on the progress with transposing the CHP Directive into national legislation, Guarantees of Origin for high-efficient cogeneration will be implemented during 2007 as the fourth certificate scheme within the EECS Domain of Germany.

A major feature of the German Domain Protocol is that electricity generation, which has received the feed-in subsidy, is not eligible for issuing EECS certificates. This recognises the fact that the feed-in electricity is allocated to electricity consumers in Germany based on a separate accounting mechanism, which is not based on certificates.

Due to the attractive support offered to renewable producers through the feed-in system, issuing activities have remained on a low level in Germany (less than 50,000 certificates between 2001 and 2006). However, considerable volumes of certificates have been imported into Germany and within 2006 some 615,000 certificates have been redeemed, mainly for disclosure purposes and Green Power sales.

The activities of Oeko-Institut in its research projects allow for certain synergies with the activities as the Issuing Body and as an AIB member. Most relevant, the projects "A European Tracking System for Electricity" (E-TRACK, project website <http://www.e-track-project.org>) and "Clean Energy Network for Europe" (CLEAN-E, project website <http://www.eugenestandard.org/clean-e>) have helped to develop the framework of AIB operations.

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Ireland

The Green Certificate Company is the Issuing Body for Ireland, with responsibility for the RECS market. Other certificates are currently within the scope of various Irish governmental authorities and there are no plans at present for their integration with Europe through the AIB.



2006 saw little activity in the Irish RECS market, although for 2007 there are new production devices scheduled to be registered for RECS. Certificate volumes are likely to be small as the majority of renewable energy is supported through either Irish or UK government mechanisms that do not integrate with the AIB structures. Discussion with government authorities continues wherever possible; but at present interest in integrated mechanisms remains low, particularly with primary attention for many being focussed on the delivery of the All Island Project for an integrated Northern and Southern Ireland electricity market.

GCC provides issuing services outside of the scope of the AIB, with particular focus on emission reduction markets. These markets are now beginning to mature with more interest being seen in the demand side. During 2007 we will be implementing a new version of the LogActiv registry system, with enhanced support for other certificate products such as VERs, integrated account management for multiple products and a new user interface.

Key People: The Green Certificate Company is a private company not linked to any other participants in the energy markets. We fully support the operation and development of the AIB and believe in active involvement with the Association. Ed Everson attends AIB as a voting member for RECS in Ireland and participates on the WGS.

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Italy

In accordance with the relevant Italian and the international legislation, **Gestore dei Servizi Elettrici - GSE Spa** manages the development of renewables both by granting incentives to power plants and by conducting awareness campaigns for fostering energy-efficient and environmentally-sustainable uses of electricity.



The company has a single shareholder: the Ministry of Economy and Finance, which gives it the operation guidelines together with the Ministry of Economic Development. GSE is also the holding of the Single Buyer and the Market Operator, the company that is responsible for the management of the Italian electricity exchange.

By managing the schemes supporting electricity generation, as well as the related economic and financial flows, GSE plays a key role on the Italian power system. In particular, GSE:

- **buys** electricity generated by plants fed by renewable and “assimilated” sources - as provided by decision 6/92 of Inter-ministerial Committee on Prices that introduced a feed-in tariff system - and **sells** it in the IPEX;
- as “implementing body”, **manages** the new support system for the electricity produced by photovoltaic solar plants;
- **issues** Green Certificates (the RES support mechanism in operation since 2001) and monitors producers’ and importers’ compliance with the related obligations;
- **certifies** plants fed by renewables (IAFR-certified plants);
- **realises** the Guarantee of Origin (GO) to the electricity generated from renewables, as requested by EU directive 2001/77/CE;
- **certifies** combined heat & power generation (co-generation) plants, in accordance with the national standards implementing the EU Directive 2004/8/EC.

Furthermore, GSE participates in the international certificate trading platform managed by AIB (Association of Issuing Bodies) where it is member of the General Meeting and has a representative on the Board. In this framework, GSE issues RECS (Renewable Energy Certificates System) certificates.

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Netherlands

CertiQ bv is the issuing body of RECS certificates, Guarantees of Origin and CHP certificates in the Netherlands. CertiQ is a subsidiary company of TenneT TSO bv, the Transmission System Operator (TSO) of the high voltage grid in the Netherlands. The Dutch Ministry of Economic Affairs has authored regulations commissioning TenneT to set up a production certificate system. CertiQ has been the issuing body of Guarantees of Origin (formerly known as Green Certificates) and RECS certificates since 2001, and from then until December 2006 55 million MWh have been certified. Over 2500 producers are currently active in the CertiQ system.



In terms of CO2 reduction, the target for the Netherlands is to ensure that at least 9% of all consumed energy is produced renewably in 2010. We achieved a figure of 6.4% in 2005, while just two years ago only 4% of the domestic energy consumption was being produced in a 'green' way. The Netherlands expects to meet the 9% for 2010.

Harmonising operation of international energy certificate systems becomes more and more important, and therefore CertiQ is an active member of the AIB in both RES-GO and RECS scheme. For 2007, CertiQ foresees participating in the CHP-GO scheme right after the CHP Directive has been implemented into Dutch laws and regulation. Participation in the Disclosure scheme depends on market demand and legislation.

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Norway

Statnett have issued RECS certificates in Norway since 2001/2002. On the 8 July 2005, the EEA committee (Norway and our partners in EFTA) agreed to incorporate the Directive concerning renewable energy in the EEA agreement. This Directive was also incorporated in the Norwegian Energy Act.



At about the same time, our new Domain Protocol was approved by AIB. This DP is both for GoO RES –E and RECS, which means that from 1st September 2006 certificates issued by Statnett fulfil the requirements for both GoO RES-E and RECS.

Statnett issues certificates every week based on data from the Norwegian Balance Settlement. In 2006, we issued 19.7 TWh, where 4.9 TWh was exported and 2.7 TWh was redeemed. From 1st January 2007, it is mandatory to use GoO RES-E for Disclosure of renewable supply in Norway. This has already increased the issuing of certificates (1.8 TWh in the first two weeks of 2007).

Today, Statnett is a member of the GoO RES-E scheme and the RECS scheme. As a “hydro power country” (99.5% Hydro power), we have no plans to implement new schemes for the time being. This can change in 2009, when the first gas-fired plant (probably high-efficiency CHP) will be in production.

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Portugal

REN – Rede Eléctrica Nacional, S.A. - is the Transmission System Operator for mainland Portugal. REN was set up in August 1994 as a result of the split-up of EDP - Electricidade de Portugal, S.A., to which it already belonged as an Operational Department.



In November 2000, following the privatisation of EDP and the liberalisation of the European Energy Market, accordingly to the European Directive 96/92/CE, of 19th December, REN became an independent company. The Portuguese Government, through the decree 198/2000, of 24th August, proceeded with REN's autonomy process to promote the reorganization of the National Electricity System and reinforce the role of the Electricity Transmission Grid concessionaire as an independent entity.

In 2006, following the Portuguese energy sector's reorganization, in particular the electric and the natural gas components, which set down the congregation of the corresponding regulated infrastructures in a sole enterprise group, REN acquired the assets regarding natural gas regulated activities, namely:

- (i) High pressure natural gas transport;
- (ii) Natural gas underground storage;
- (iii) Liquefied natural gas reception, storage and re-gasification in GNL terminals.

Since 1 December 2003, REN has been the national issuing body for RECS in Portugal and has been, since then, a full member of the Association of Issuing Bodies (AIB). The issuing of Portuguese RECS certificates started in 2005 and since then, 261,797 certificates were enabled to be transferred or redeemed in the market.

Within the scope of the transposition of the European Directives 2001/77/EC (RES-E Directive) and 2004/8/EC (CHP Directive), a national body must be appointed to be responsible for issuing RES-E and CHP Guarantees of Origin. Taking into account its central position within the national electric system, its independency and its experience with RECS certificates, REN is able to take that role and may use AIB EECS standards to implement the required systems.

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Slovenia

The Energy Agency of the Republic of Slovenia is the Slovenian independent regulatory authority for electricity and gas, established in accordance with the requirements of the EU Electricity and Gas Directives (2003/54/EC and 2003/55/EC, respectively).



The Energy Agency of the Republic of Slovenia has been the Slovenian RECS Issuing Body since March 2004, when it became an AIB Member. Energy Agency is also the Slovenian national Issuing Body for Guarantees of Origin of electricity from renewables and CHP. The first Slovenian national Guarantees of Origin for RES-E were issued in 2006.

The Energy Agency's plans for 2007 are to continue as RECS issuing body and to implement a new scheme: EECS Guarantees of Origin. The decision about entering a new scheme has already been taken, and the Agency will do all the necessary activities to achieve this goal.

The Energy Agency of the Republic of Slovenia also plans to join some other EECS schemes in the future: probably the next EECS scheme implemented in Slovenia will be the EECS CHP Scheme.

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Spain

Red Eléctrica de España has been the AIB Issuing Body for RECS in Spain since 2003.

In Spain, the EU GO Directive has been transposed just partially; in transposition of the Cogeneration EU Directive, the Ministry appointed CNE (Energy National Commission) to be the Issuing Body for GO related to cogeneration. Energy generated in other types of installation has not yet been considered for GOs.

Even though CNE is responsible for issuing Cogeneration GOs, no action in this matter has yet taken place, nor has it been made clear whether GOs will be tradable in Spain.

In 2006 REE issued 589,486 and redeemed 566,427 RECS certificates.

Given the random tendencies of the Spanish RECS market, it is difficult to forecast what will happen next year. While GO uncertainties remain unresolved, similar market behaviour can be expected.



RECS Certificates in Spain

	2002	2003	2004	2005	2006
Issuing	927367	42791	1653631	126319	589486
Export	-	30160	1372655	27000	0
Redemption	-	46631	93400	174334	566427

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Switzerland

swissgrid (the Transmission System Operator TSO for Switzerland, formerly known as ETRANS) acts as Issuing Body (IB) and Central Monitoring Office (CMO) for the Renewable Energy Certificate System (RECS) in Switzerland. Switzerland has been active with RECS since the end of 2002.

swissgrid
Transmission System Operator

swissgrid has also run the Guarantee of Origin-system (GO-system) for Switzerland since the end of November 2006. This GO-system is based on the design of the Austrian GO-system, which was provided by the Austrian electricity and natural gas regulator E-Control to Switzerland in order to establish its own system.

As the respective Swiss GO-law (UVEK-Verordnung) and the mandating of the Issuing body (swissgrid) were officially set in force by the government by mid December 2006, all relevant pre-conditions have been met to ask for AIB-accreditation of the GO-system (foreseen in the first half of 2007).

Voting member in the AIB general meeting is Mr. L. von Moos, alternate Mr. S. Bühler.

At a working group level, Switzerland has participated in the following groups:

- Workgroup Internal Affairs: L von Moos (and H-H Frei from the beginning of 2007)
- Workgroup Systems: L Groebke (and N Singh until the end of 2006)

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Annex 1: AUDIT REPORT

Association of Issuing Bodies

Audit report 2006

1.Introduction

As decided by the AIB members, the audit is performed in turns by one of the member organisations.

Gestore dei Servizi Elettrici – GSE S.p.a., Italy, has performed the audit of the year 2006.

This report describes the purpose of the audit work and gives an evaluation of AIB's internal routines as well recommendations. Finally, the audit focuses on the correctness of the balance sheet and of the profit & loss account at year-end.

2.Purpose of the audit

The purpose of the audit is to:

- Verify the main items of balance sheet and profit and loss account at year-end;
- Check that cut off between the financial year 2006 and 2007 is correctly accounted for;
- Evaluate the payment routine;
- Control that invoicing is correct and complete and in accordance with instructions of the Board;
- Control that expenses are in accordance with existing agreements, well documented and properly authorized;
- Evaluate the audit-trial between the system and the books;

To carry out the audit work I was supported by General Secretary Phil Moody. I have also used minutes of the Board, agreements, trial balance as of December 31st, 2006, transaction list and vouchers. The audit was performed on sample basis.

The AIB organisation is registered in Belgium, but VAT registered in the UK. The audit of 2006, as the previous year, does not include the evaluation of taxation matters.

3. Findings and recommendation

Membership fee

The information on total certificates issued per member is based on data from the websites (i.e. www.recscmo.org). The total number of certificates issued in 2005 is the basis for the membership fee in 2006. The activity fees are linked to the total certificates issued in the relevant year.

The members have different methodologies of accounting related on “issued certificates”. The Board of AIB has concluded that issued certificate means the date energy was generated not the date of issue. The certificates related to year 2006 and invoiced after the books have been closed for that year are recognized as revenue by the Association for the following year.

Association of Issuing Bodies Annual report for 2006

I have verified that annual membership fees were invoiced according to the minutes of the Board meeting on 12th December 2002. I have, on sample basis, controlled that certificates issued in 2006 are confirmed by mail or websites.

Expenses

I have reviewed that expenses are documented with supporting documents and are correctly authorized. In particular, I have checked consulting fees and travel expenses. The overall impression is good. At year-end the cut-off seems reasonable.

The agreement between AIB and Campbell Carr was signed on July 2006 and the agreement between AIB and Phil Moody Limited was signed on September 2006.

For technical reason nothing was due to Campbell Carr for services related to hub administration.

Bank

The registration and authorization of payments routines are separate. General Secretary Phil Moody creates payment instructions while the Treasurer authorize payment instructions.

The bank account in general ledger as of 31st December 2006, is reconciled with statement received from Jyske Bank. The list of people authorized to operate with bank, registered in Jyske Bank, is updated at year-end. The bookkeeping routines seems to work well.

Accounts receivable

The receivables are current.

VAT

AIB is registered in UK. AIB's fees are mainly outside UK which have a zero tax rate, while all the purchases are deducted with VAT 17,5%. Therefore, it is normal for AIB to have a VAT refund. Because of Italian auditor's limited knowledge of UK rules and regulations, I am not able to confirm that the VAT treatment is according to UK rules.

However, I have controlled that the VAT is correctly calculated and recorded in the system. No error was found. I have also verified, on sample basis, the yearly accounting movements according to invoices and to payments received by UK Authority.

Accounts payable/accruals

At year-end the creditors/accruals consist of current vouchers. The posts are well documented.

Audit-trail of vouchers

There exists an audit-trail between the original vouchers in the books and the system. The overall impression of the quality of the vouchers is good.

Financial statement 2006

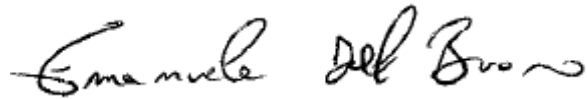
The financial statement subject to audit has to be approved by the Board. The last year financial statement is subjected to a not material post audit adjustment.

Association of Issuing Bodies
Annual report for 2006

4. Conclusion

In my opinion the internal routines and bookkeeping of AIB work well. The challenge is still to find a way to improve the quality of the transaction of certificates.

Based on audit tests, the financial statement gives a fair view of AIB' balance and net profit (30,289 Euro) at year-end.



Roma, 2nd March 2007

Emanuele Del Buono

Gestore dei Servizi Elettrici – GSE S.p.a.

Association of Issuing Bodies

Annual report for 2006

Financial Statement

Profit and loss account

	31/12/2005 (Restatement)	31/12/2006
Operating revenues	<i>(amount in Euro)</i>	
Annual membership fee, small	40,000	60,000
Annual membership fee, large	155,000	80,000
Activity based membership fee	124,422	144,244
Other operating revenues	6,282	8,450
Total operating revenues	325,704	292,694
Operating costs		
Consultancy fee	316,745	230,926
Travelling	25,765	23,655
Other operating costs	4,945	5,823
Depreciation	-	607
Total operating costs	347,455	261,011
Net financial items	1,637	1,394
Net profit/loss for the year	(23,388)	30,289

Balance sheet

	31/12/2005 (Restatement)	31/12/2006
Assets	<i>(amount in Euro)</i>	
Plant and Machinery	-	3,035
Accounts receivable	7,975	1,529
Fee earned	29,654	-
Net Vat refund	21,452	12,104
Bank	69,449	129,751
Total assets	128,530	146,419
Equity	104,081	134,370
Liabilities		
Accounts payable	24,449	12,049
Total liabilities	24,449	12,049
Total equity and liabilities	128,530	146,419



**Association of Issuing Bodies
Annual report for 2006**

ASSOCIATION OF ISSUING BODIES

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