

THE ACCOUNTING TREATMENT OF GREEN CERTIFICATES

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Abstract: To increase the usage of renewable energy resources that are partially used or unused (wind, solar, aero thermal, geothermal, hydrothermal, hydraulic, etc.), a scheme is applied to promote production electricity through green certificates [1]. In this way Romania's energy policy is aligned with the European Directives.

Key words: green certificates centralized market, accounting treatment, electricity, energy from renewable resources.

INTRODUCTION

Green certificates represent titles that attest the production of an amount of energy out of renewable sources, which is transactional between electric energy manufacturers and suppliers, distinct traded by the obtained energy and which is represented on an organized market. Producers of electricity from renewable sources receive a certain number of green certificates and suppliers are obliged to purchase these titles in proportion to the amount of electricity delivered to final consumers. These may be legal entities or individuals, and on their current bill will be stated the quantity of green certificates in relation to the electricity consumed and the estimated compulsory share acquisition, which for 2016 is 0.317 CV / MWh.

Expanding the use of renewable energy resources by promoting green certificates is designed to help reduce imports of primary energy resources (gas and coal), encourage the sustainable development of cities and regions, creating new jobs and also reducing pollution by decreasing production of polluting gases.

Green certificates system apply to producers holding facilities for producing energy from renewable sources (economic operators) accredited by the National Energy Regulatory Authority (ANRE). They receive monthly, a number of green certificates in proportion to the amount of electricity produced from renewable resources. Green certificates trading among energy producers and suppliers can be held on the centralized market and on bilateral contracts market for green certificates.

GREEN CERTIFICATION ISSUANCE

In the process of issuing green certificates involving multiple entities that manifest as agents of the market, among which, first is the "Transport and System Operator" (TSO) represented by the National Power Grid " Transelectrica ". As the issuer of green certificates, it is responsible for:

- a) The elaboration and updating "The issuing procedure of the green certificates";
- b) Establishes and updates the "Register of those who benefit from green certificates" and the green certificates that are or were issued;
- c) Keeps records of the economical accredited operators, in the Register of beneficiaries of green certificates;
- d) Monthly –issues green certificates for accredited economic operators;
- e) Communicate to accredited economic operators who own / operate power plants where electricity is produced, benefiting from green certificate through accreditation decision issued by ANRE.

In turn, "Accredited economic operators" have several attributions, including:

- a) -Registering to "Transport and System Operator " (TSO) in the 'Register of beneficiaries of green certificates and the green certificates issued ";
- b) –Monthly, it is mandatory to send the documents to OST the necessary documents that allow the issuing of the green certificates;
- c) –Every semester the needed documents are send to ANRE. Documents that are necessary to establish the quantities of electricity produced from renewable energy (E - SRE) eligible for additional amounts of green certificates.

ACCOUNTING TREATMENT OF GREEN CERTIFICATES RECEIVED BY THE POWER PRODUCERS

A). Recognition in accountancy of green certificates received.

Without regard to the issue of delayed certificates, the accounting treatment refers to several aspects, such as: the right to receive, the actual receipt of green certificates, price matter, the sale of green certificates and their evaluation at the end of the financial year [2].

- a) Recording every month the right to receive green certificates.

For the energy producer, green certificates are a subsidy for pursuing an economic activity in an area that represents a national interest. Therefore, he is the beneficiary of green certificates issued by the Transport and system operator, records the right to receive certificates using appropriate accounting accounts:

4458 "Other amounts received = 7411" Income from subsidies

with nature grants subsidies related to turnover ".

Income from the grant (VS). In this case it is determined by the relationship:

$$VS = \text{Nr. CV} * \text{PT CV}$$

In which:

Nr.CV = number of green certificates;

PT CV = the trading price of green certificates, as of the date of entitlement to receipt, published by the Operator of the electricity market (OPCOM). If there are not certain elements that would fix the date of entitlement, the right value that is accounted is done using the price of the last day of the month.

- b) Receipt of green certificates.

They are recorded at the price prevailing at the time SC. OPCOM SA by the following formula book:

507 "Green Certificates Received" 4458 = "Other amounts received subsidies"

Green certificates received are valued at the bid from date of received trading, price published by OPCOM

- c) Price differences.

The timing of certified operations generates price differences. Thus, between the time of registration law and the actual receipt of the certificates, there can be recorded price differences. The difference between the price of green certificates reflected in account 4458 "Other amounts received subsidies" certifying the right to receive green certificates and amount of actual receipt, determined by the trading price, represents financial income or expense.

- The price differences, if favorable (increases) are recorded:

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

- If price differences are unfavorable:

668 "Other financial expenses" = 507 "Green Certificates Received"

Value differences can occur between the price of green certificates that are registered and the price at which they are traded. Thus, the sale of green certificates that gain, with concomitant removal from management, are evidenced by the relationship:

$$4111 \text{ "Clients" (461 "Debtors")} = \% \frac{7642 \text{ "Gains from short term ceded investments";}}{507 \text{ "Green Certificates receipt"}}$$

If the transaction (sale) is resulting a loss, it is notable in the accounting formula:

$$\% \frac{461 \text{ "Borrowers" (411 "Customer")}}{6642 \text{ "Losses from Short-term investment ceded "}} = 507 \text{ "Green Certificates Received"}$$

d) Evaluation of green certificates at the end of the financial year.

Green certificates outlined in account 507 "Green Certificates received" are evaluated at the end of the financial year to the trading price published by the operator of the electricity market (OPCOM) for the last transaction with coverage against income differences in account 768 "Other income financial "or, as applicable, account 668" Other financial expenses ", as follows:

- Favorable difference:

$$507 \text{ "Green Certificates received"} = 768 \text{ "Other financial income"}$$

- Unfavorable differences:

$$668 \text{ "Other financial expenses"} = 507 \text{ "Green Certificates Received"}$$

B) The accounting treatment of green certificates who's trading is delayed.

Green certificates whose transaction is postponed, according to the Law no. 220/2008 establishing the system for promoting energy production from renewable energy sources, as amended and supplemented, are exempt from the accounting treatment mentioned above. These will be recorded in a separate account, 266 "Green Certificates postponed" rather than account 507 "Green Certificates received".

Registration of entitlement to postponed Green Certificates, is made on account on the income recorded in advanced, with the formula:

$$266 \text{ "Green Certificates postponed"} = 472 \text{ "Deferred income"} \\ \text{(Analytically distinct)}$$

Green certificates whose trading is postponed shall be accounted when becoming aware of the right to get the set value, depending on their number and their trading price published by the electricity market operator (OPCOM).

At the end of the financial year, the beneficiary title entities reflected in account 266 "Green Certificates postponed", is not recording the potential added value that depends on the trading price published by the operator of the electricity market (OPCOM) for the last transaction. [3]

When the green certificates postponed are admitted to trading, they are recognized by their passage into the category of those received:

$$507 \text{ "Green Certificates received"} = 266 \text{ "Green Certificates postponed"}$$

Upon receiving green certificates, deferred income is transferred to income in the period, to the value of the certificates received:

472 "income recorded in advance" = 7411 "Income from grants
(Analytically distinct) operation related turnover ".

At the end of the financial year, the value loss related to postponed green certificates is recognized on account of the income recorded in advance, through the accounting formula:

472 "income recorded in advance" = 266 "Green Certificates postponed"
(Analytically distinct)

The difference between the value of green certificates thus determined and the value determined by the trading price of their receipt is recorded in other income accounts (768) or, where appropriate, other financial expenses (account 668). Green certificates postponed transactions, including the transfer from account to account (provider to **** manufacturer) to fulfill the mandatory annual quota purchases are distinctly recorded in the Register of beneficiaries of green certificates and green certificates issued with postponed entry to trading green certificates [4]. These titles have a shelf life of 12 months, including the date of transfer from the account of the producer to the account of the provider to meet the annual mandatory quota for the procurement of green certificates, which duration begins with their release by the National Transport energy "Transelectrica SA".

CONCLUSIONS

Romania's energy policy is aligned with that of the European Union and aims to expand the use of renewable resources. Stimulating the production of electricity using renewable resources is made through green certificates. These assets are transacted on a regulated market. The values of green certificates are ultimately a subsidy for the electricity producer. The accounting treatment is covered for each form of existence and stage movement by law, GEO or ministerial order. The value of green certificates that the energy producer benefits, has its source in the amounts received by the distributor to final consumer, legal entity or individual.

REFERENCES

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