



ABU DHABI INTRODUCES NEW CLEAN ENERGY CERTIFICATE SYSTEM



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Introduction

In a widely regarded press statement, the UAE's biggest emirate Abu Dhabi recently announced its plans to introduce its own new clean energy certificate system. Up to now, energy certificates have been issued by the Dubai Carbon Centre of Excellence ("**DCCE**") for all emirates.

Abu Dhabi's initiative falls within the country's broader ambitions to diversify its economy, invest into renewables, and pave the way for a more sustainable and decarbonized energy sector. But, it also shows the growing competition between different emirates in the renewable energy and emission market.

Clean energy certificate systems in the UAE

In a world, where sustainability and decarbonisation is on everyone's agenda, many companies have realized that using clean energy from renewable sources adds a value to their products and their brand. However, without a proper tracking system green electricity fed into the public grid is indistinguishable from electricity produced by other sources. Therefore, a certificate system is required to validate electricity providers' and consumers' claims of using low or zero-emissions electricity.



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In 2016, the Supreme Council of Energy in Dubai has granted the DCCE the right to develop and implement renewable energy certificate system in the UAE. In the following, the DCCE has signed an agreement with the International REC Standard Foundation (“**I-REC Standard**”), a non-profit organization that provides attribute tracking standards for use around the world. One of the first clean energy certificates has been issued to the Al Maktoum Solar Park, a huge solar project developed by the Dubai Electricity and Water Authority (DEWA).

Although the new system in Abu Dhabi is also based on the I-REC Standard model, it is not yet fully clear how both systems will fit together in practice. It is also to be seen if the two systems will create an additional administrative burden for companies active in both emirates.

How the new system in Abu Dhabi works

As mentioned before, the new certificate system in Abu Dhabi is also based on the attribute tracking system for renewable energy certificates developed by I-REC Standard.

The Department of Energy in Abu Dhabi (“**DoE**”) will be formally authorized to issue clean energy certificates, while I-REC Standard will establish a central registry platform, where records on the ownership and use of the issued certificates can be obtained.

The Emirates Water and Electricity Company (“**EWEC**”) will ensure that all generation plants producing clean energy in Abu Dhabi are listed in the I-REC Registry. The certificates will be issued in units of 1 MW/h by the DoE upon receiving a request from EWEC. Companies or consumers (“**Participants**”) can obtain clean energy certificates by opening an account in the central registry platform. The Participants can then purchase certificates or allocate them to beneficiaries.

Clean Energy Certificates are voluntary tradable financial instruments which certify the purchase of a specific amount of electricity that has been generated from a clean energy source.

Strohal Legal Group is an international business law firm focusing on the Gulf region (GCC) and Southeast Asia (ASEAN) advising clients on local and cross-border M&A transactions and corporate, business, and labour law matters, company establishments, energy and climate change law as well as tax law matters. Through our country desks and partner firms in Austria, the Ukraine, and Russia, the firm is also well connected in Europe.

Our energy practice focuses on advising investors on energy projects in the region and on supporting them on regulatory matters. We are further convinced that climate change will, after all, also impact the legal landscape. To stay one step ahead we are therefore already engaged in the various aspects of climate change law.

The UAE’s energy market forecast:

- Over USD 160 billion investments into renewable energy sector under the UAE’s Energy Strategy 2050
- Within the next three years at least 20% of the UAE’s installed electricity capacity should come from clean sources
- In 2050, the UAE’s total energy mix should comprise of 44% green energy, 38% gas, 12% clean coal, and 6% nuclear

Authorities have announced that anyone can act as a Participant and purchase and sell certificates guaranteeing to customers that the electricity they consumed is green, sustainable, and emission-free. The DoE further suggested that it will not charge a fee for acting as a local issuer.

Outlook

The newest developments show that renewable energy solutions are certainly on the rise in the UAE and that governments acknowledge the value of green electricity. It remains to be seen how the systems will develop, whether energy certificates will become obligatory in the future, or whether this is even part of a bigger plan to establish an emission trading scheme like the European Union or China.

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