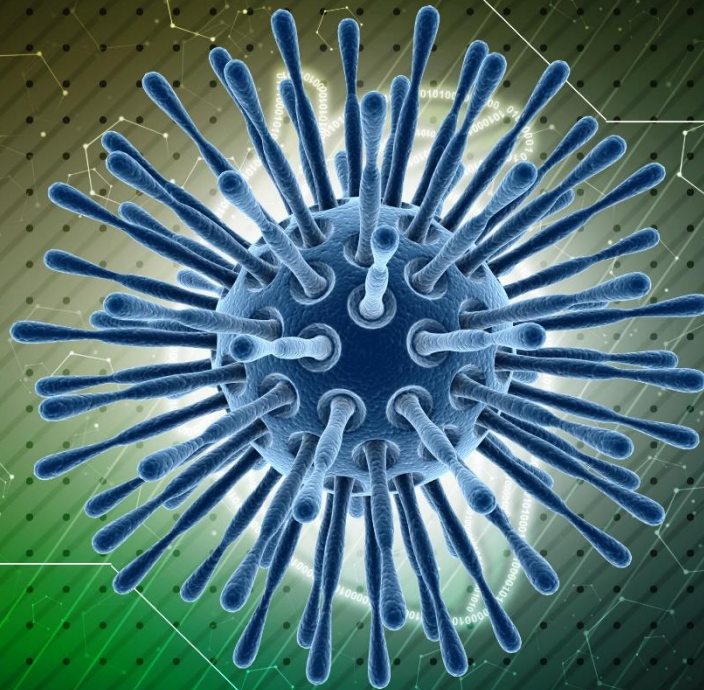




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ENERGY, UTILITIES & INFRASTRUCTURE PRACTICE

The effects of Covid-19 on the Energy Sector

April 16, 2020

The effects of Covid-19 on the Energy Sector

By Gus J. Papamichalopoulos, Konstantinos Varelas, Manos Nimas

In view of the Covid-19 outbreak situation several packages of emergency measures have been adopted by the Greek Government.

The Energy industry overall is one of the sectors which, under the circumstances, is facing several issues and complications due to the suspension of operation of several governmental authorities.

DEADLINE EXTENSIONS ON RES AND CHP PROJECTS

Urgent measures have been introduced as outlined in the Legislative Act dated March 30th 2020 (GG A' 75), responding to the concerns raised by the energy market players in the field of RES producers, voicing their concern on the impossibility of meeting the deadlines for the timely commissioning of the projects already initiated before the Covid-19 crisis. With a view to safeguard the RES investments in Greece, said Legislative Act, inter alia, postpones the obligations of the RES investors for different periods depending on the status and the nature thereof with an aim to allow for more time to

complete their development programs and to secure that said projects will be finally materialized.

The Legislative Act introduces extensions of several project timetables and their validity period in order to secure the necessary licenses and administrative permits/acts. Most notably, the Act addresses the duration of the installation licenses which are affected, the binding grid connection offers by the competent operator, as well as the deadlines for the electrification of the RES projects.

We summarize hereunder the introduced measures:

6-MONTH EXTENSION

- I. A six-month extension will apply for the installation licenses and the binding grid connection offers for RES and CHP power stations which expire by June 30 2020.
- II. A six-month extension has been added to the deadlines for the trial operation of RES power stations which have successfully participated in RES

tenders, provided same will be commissioned (including the testing period) by June 30 2020.

4-MONTH EXTENSION

- I. A four-month extension for the installation licenses and the binding grid connection offers for RES and CHP power stations will apply in cases where their validity expires between July 1, 2020 and December 31, 2020.
- II. A four-month extension is added to the deadlines for the trial operation of RES power stations which have successfully participated in RES tenders, provided same will be commissioned (including the testing period) between July 1, 2020 and December 31, 2020.
- III. A four-month extension is added to the implementation date (01.01.2021) for the reference tariff upon which operating aid to RES project is calculated according to Ministerial Decision YPEN/DAPEEK/25511/882/20.03.2019 and para.5, art.4 of Law 4414/2016.
- IV. A four-month extension is added to the operation, be it trial or regular, deadlines of RES power stations which have concluded Power Purchase Agreements before December 31, 2015 and which, in accordance with

para.12(a)(b) of art.3 of Law 4414/2016, are exempted from participating in RES tenders.

2-MONTH EXTENSION

- I. A two-month extension is added to the deadline for the acceptance of the binding grid connection offer concerning RES and CHP power stations in accordance with art.3 and 4 of Law 3468/2006. The same two-month extension applies to the submission of the relevant guarantee letter to the competent operator, as stipulated in subpara.I.1(3) of Law 4152/2013, provided they are due to expire between the period as of the date of issuance of the Legislative Act (i.e. March 30, 2020) and June 30, 2020.

FURTHER IMPLICATIONS AND OTHER MEASURES

EFFECTS ON THE ELECTRICITY MARKETS

Amidst this extraordinary situation, recent developments indicate that the implementation of the restructuring of the domestic electricity market in conformity with the Target Model will be delayed. The commencement of operation of the new electricity markets by the Energy Exchange, the go-live date of which according to the applicable framework was set for June 30, 2020 will

inevitably be pushed back for at least two (2) months since the provided date (April 10) for the necessary simulation tests is already missed.

The effects of the pandemic are also visible in the Financial Energy Market, which, despite becoming operative just recently (March 23, 2020), has since facilitated only one transaction on derivatives (officially announced by the Energy Exchange on March 26).

PRIVATIZATIONS PROCESSES

Besides, 2020 was set to be the year marking important developments in the privatization of infrastructure including significant energy state-controlled companies. These include the Trading and Infrastructure divisions of the Public Gas Supply Company (DEPA Trading SA and DEPA Infrastructure SA), the Public Power Corporation (PPC SA), the Hellenic Petroleum SA (HELPE), the South Kavala Natural Gas Storage, the further privatization of the Independent Power Transmission Operator (IPTO SA) and others. The unraveling emergency situation however has halted the relevant developments. Besides the extension of the conclusion of the first phase of the DEPA Trading SA process, delays are expected in the majority of the tenders. The Covid-19 measures provide the Hellenic Republic Asset Development Fund, as with other public authorities, the

right to postpone, extend or even suspend the tender processes.

ELECTRICITY SUPPLIERS AND THE RES OPERATOR

Most recently, the Legislative Act dated April 13, 2020 (GG A' 84) introduced further emergency measures, tending to the implications caused by the ongoing crisis in the liquidity of the electricity market. In particular, special provisions enable electricity and gas suppliers to settle part of their financial obligations to the operators of electricity and gas transmission system and distribution networks, as well as to the Operator of RES and Guarantees of Origin, deriving from the below regulated charges:

- for the electricity sector: the “Special Levy for Greenhouse Gas Emissions Reduction”, the Services of General Interest charges and the transmission system and distribution network usage charges; and
- for the natural gas sector: the charges for the use of the transmission system, the distribution networks and LNG infrastructure.

The above settlement option covers 30% of the total charges for invoices due by May 31, 2020.

In addition, the Operator of RES and Guarantees of Origin (DAPEEP S.A.) shall be obliged to conclude a short-term special purpose loan with a well-regarded credit or financial institution in order to cover the foreseen revenue deficit of the "Special RES and CHP Account for the Interconnected System and Network". The amount of the loan can reach the total losses that may result from the non-payment of the "Special Levy for Greenhouse Gas Emissions Reduction" by electricity suppliers for the period between the issuance of the Legislative Act (i.e. April 13, 2020) and June 30, 2020. The operator may apply for the above loan at any time within 2020 and shall repay it by the relevant amounts to be gradually recovered by the suppliers in the following period, as per the above.

OTHER PROVISIONS

Special provisions allow energy companies to procure the necessary supplies in derogation of the applicable Covid-19 restrictive or lockdown measures in order to ensure the uninterrupted supply of materials and spare parts.

Furthermore, in order to ensure protection against the spread of the virus, energy companies are required to facilitate and perform transactions with their clients through various long distance means of communication.

Overall, the Greek State's early reactions indicate an effort to support the country's major economy sectors in this unprecedented global crisis. The effectiveness of the timely implementation of the wide spectrum of measures, including an array of provisions such as the imposition of a curfew, restriction of movement within the country, closing of borders, limitation of air travel etc., remains to be revealed in the upcoming period.

Contact Us



Gus J. Papamichalopoulos

PARTNER

g.papamichalopoulos@kglawfirm.gr



Follow Us

ATHENS OFFICE

28, Dimitriou Soutsou Str.,
115 21 Athens

T +30 210 817 1500

F +30 210 685 6657-8

E kg.law@kglawfirm.gr

THESSALONIKI OFFICE

17, Ethnikis Antistasseos Str.,
551 34 Thessaloniki

T +30 2310 441 552

E kg.law@kglawfirm.gr

www.kglawfirm.gr

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