1. Electricity producers receive one electricity certificate unit (in electronic form) from the Swedish state for each megawatt-hour (MWh) of electricity that they produce from renewable energy sources or from peat. Norway has a similar electricity certificate system, under which the Norwegian state issues certificates to Norwegian producers of electricity from renewable sources.

2. The electricity producers are free to sell their certificates, thus generating extra revenue for their electricity production.

3. Certificates - both Swedish and Norwegian - are traded on an open market, with the price being determined by supply and demand. Prices are agreed between purchasers and sellers.

4. Purchasers are Swedish or Norwegian parties having quota obligations. They are required to purchase certificates corresponding to a certain proportion of their electricity sales or use, known as their quota obligation. The sizes of quota obligations are set by the Swedish and the Norwegian Act Concerning Electricity Certificates, and create the demand for certificates.

5. If the purchaser is an electricity supplier, he passes on the cost of certificates as part of the price of electricity charged to his customers. In this way, all electricity customers in Sweden and Norway contribute to expansion of the production of renewable electricity.

6. Each year, those having quota obligations must hold (i.e. have purchased) the number of electricity certificates needed to meet their quota obligations to the Swedish or Norwegian states. Once a year, these certificates are cancelled, which means that the holders must start to buy new certificates to meet next year’s quota obligation, thus creating a constant demand for certificates.

Illustration: Bo Reinerdahl