

## Policy recommendations

### Challenges and solutions

In spite of the growing interest for renewable energy corporate sourcing in Europe, the potential remains largely untapped. Today only a limited number of large corporate players are involved in RES sourcing in Europe.

This document outlines the key challenges and solutions for unlocking the potential of corporate sourcing in Europe.

### We need a basic regulatory framework for Corporate Renewable PPAs in Europe

**Basic regulatory framework for Corporate Renewable PPAs:** Europe is in a favourable position, where Corporate Renewable PPAs are legally possible in most countries. However, in countries such as Spain, France, Germany and Belgium, Corporate Renewable PPAs have in the past been a legal “grey area”. The basic framework for non-utilities purchasing power from generators needs to be guaranteed in all 28 Member States.

- ✓ **Provide a mandate to the European Commission as part of the post-2020 Renewable Energy Directive** to address national regulatory barriers to the development of Corporate Renewable PPAs.
- ✓ **Explicitly legislate for Corporate Renewable PPAs in all jurisdictions around Europe.** Restrictions on third party ownership of on-site renewable installations, on the number of buyers per installation or the number of suppliers per metering point should be removed.<sup>1</sup>

### We need an adequate market design and further market integration

**Traceability of renewable electricity:** Corporations requiring a zero-carbon power supply need to be able to prove and trace their renewable electricity consumption. One way to do this is to buy bundled products, where the corporate purchases both the renewable power from a given asset and the Guarantees of Origin (GOs). GOs are then retired each year against consumption. However, the current proposal in the Clean Energy Package is that renewable energy producers receiving financial support will not receive (and will not be able to sell on) their GOs. This will make it difficult for many active renewable market players to continue with their “asset-to-client” strategies.

- ✓ **The recast Renewables Directive must not break the link that exists between renewable energy production and the renewable electricity buyer, even when a project is receiving government support.** GOs should be given to all renewable electricity producers who can then sell them to buyers if that buyer needs to certify the electricity they have bought in their reporting. A fully functioning GO market is needed to ensure the traceability of corporate renewable PPA contracts.<sup>2</sup>

<sup>1</sup> More information on these barriers can be found in SolarPower Europe’s latest report within the PV Financing project “Designing EU policy for new solar business models”. Available here: <http://www.solarpowereurope.org/insights/new-solar-business-models/>.

<sup>2</sup> More information on WindEurope’s position on Guarantees of Origin can be found here <https://windeurope.org/wp-content/uploads/files/policy/position-papers/Reviving-wind-markets-and-delivering-on-our-2030-objectives.pdf> and here <https://windeurope.org/wp-content/uploads/files/policy/position-papers/Joint-Statement-on-Green-Electricity.pdf>.





**Compatibility of support schemes with corporate Renewable PPAs:** The value proposition for corporate Renewable PPAs can be challenging in Member States that have Feed-in Tariffs or Contracts for Difference with sliding premium for large-scale projects.

The ongoing introduction of market based support schemes across the EU should help the emergence of Corporate Renewable PPAs. The transition to auctions or tenders may also create an additional pipeline of projects that have been unsuccessful in tenders but have secured permits, land lease and grid connections.

- ✓ **Governments should consider compatibility with Corporate Renewable PPA models when introducing new support mechanisms for renewable energy.**
- ✓ **In Member States with market based support mechanisms (tendering mechanism or tradable green certificates) revenue from Renewable Energy Guarantees of Origin (GOs) should not be considered as overcompensation.** When Member States have a Feed-in tariff (FIT) in place, the value of the GO should be administratively subtracted from the FIT to avoid an overcompensation effect. GOs can be combined with market-based systems, for example allowing a renewable energy project to adjust bids factoring in the value of the GOs (overcompensation is by definition avoided by the competitive nature of the support mechanism).

**Lack of a fully functioning integrated market:** Location and proximity of the buyer's asset with the renewable energy asset is very important in the European market to mitigate risks like balancing, curtailment and financial exposure to price basis risk. Corporates will therefore look for projects that are located in the same grid network as their industrial facilities. This poses certain limitations when it comes to cross-border Corporate Renewable PPAs.

- ✓ **Prioritise investments in grid infrastructure notably interconnections and continue market coupling with the aim of a fully functioning integrated energy market across the EU.**
- ✓ **Ensure that it is possible to enter into Corporate Renewable PPAs across borders.** For example, the NordPool model has proven a very successful environment for the deployment of more Corporate Renewable PPAs. The Nordic countries are one of the biggest markets for renewable energy corporate sourcing.

## We need economic and financial innovation

**Barriers for small and medium sized enterprises to implement Corporate Renewable PPAs:** Corporate PPAs can be quite complex contracts to structure, with negotiations that can extend up to 18 months. Issues to be addressed in these contracts include regulatory risk, price risk, financial exposure on the underlying commodity, as well as balancing and curtailment risk.

Moreover, the counterparty creditworthiness in these contracts is very important in determining the economic viability and the cost of financing a project. This and the lack of in-house expertise, makes it difficult for smaller enterprises to act as off-takers in a project.

- ✓ **Pursue more flexible Corporate Renewable PPA contracts to cater for the different needs of SMEs, and to account for the fact that many businesses may have difficulty forecasting their energy demand 10 or more years into the future.**



- ✓ **Establish guidelines and a template term-sheet to help consumers to analyse their energy needs and easily compare offers.** This will create quicker and more streamlined processes for corporate PPAs. At the same time, it will open the market to public entities, and other companies who lack the in-house expertise to structure such transactions.
- ✓ **Develop Multi-buyer corporate renewable PPAs** (e.g. the Krammer onshore wind project in Netherlands with four corporate buyers) are key to bringing new players in the market and supporting project finance and bankability.
- ✓ **Develop multi-technology PPAs:** Buyers looking into 100% RES PPAs could be willing to blend the technologies involved in their PPA, and pool synergies from different generation load profiles. Technologies can be blended to make the most of the highly complementary generation profiles of wind and solar.

**Trade barriers:** Price controls and trade barriers are resulting in artificially high prices for renewables components in some markets. This is harming the economics of corporate PPA projects in these markets.

- ✓ Promote normal undistorted free trade in all environmental goods, as in the proposed Environmental Goods Agreement.

Disclaimer: The views and recommendations in this document are not necessarily those of all members of SolarPowerEurope, WindEurope, WBCSD or RE100.

