

EC Consultation on an EU Solar Energy Strategy



EFET Consultation Response – 12 April 2022

We welcome the opportunity to comment on the Commission Consultation on an EU Solar Energy Strategy. We fully support the objective of the strategy to ensure that solar energy achieves its full potential in helping to meet the net zero ambition of the EU, and we agree with the proposed scope and content.

We would like to highlight the importance of renewable Power Purchase Agreements (PPAs) for accelerating the roll-out of solar energy. In the context of decreasing availability of public financial support, renewable PPAs are an indispensable part of the future growth of renewable energy, including solar, as they offer an alternative to support schemes. They offer the long-term price guarantee required by investors and reduce the cost of capital. They also help to decrease the costs of the transition compared to financial support schemes.

To facilitate their uptake, Member States would need to address a number of barriers. In this relation, we welcome the Commission initiative to develop guidance that would help Member States to identify and address barriers to the uptake of renewable PPAs.

Key barriers include continued use of support schemes allocating support on an administrative, rather than competitive basis, such as feed-in tariffs (FiTs). These schemes are not only more costly to consumers than competitive allocation schemes or market-based instruments, but also remove the incentive for developers to enter into renewable PPAs with private parties, as the schemes are often more generous than a competitive commercial contract linked to market prices would be.

Another obstacle to the growth of renewable PPAs is policies with respect to the issuance of Guarantee of Origin (GoOs). GoOs are an integral part of a renewable PPA, as they allow the buyer to claim the renewable attributes of the consumed electricity. Therefore, when producers are not allocated the GoOs associated with their production because they receive financial support (a rule that exists in some EU Member States), these producers would find it difficult to conclude renewable PPAs with corporate or other types of offtakers who would wish to make sustainability claims on the basis of these contracts.

A third important challenge comes from national-level interpretations of the Commission EU ETS State Aid Guidelines (e.g., in Germany), where energy-intensive industries get compensation for the indirect EU ETS costs when sourcing electricity from conventional generation (see Commission study on “Competitiveness of corporate sourcing of renewable energy”). Since renewable PPAs are usually priced on the forward curve (i.e., on expectations of future wholesale electricity prices), which is influenced by the carbon price, these measures effectively penalise consumers who purchase renewable power through PPAs. We support the EU Commission Communication from September 2020 outlining

Guidelines on certain State aid measures in the context of the system for greenhouse gas emission allowance trading post 2021 and call upon Member States to swiftly implement these to abolish the barrier addressed within this paragraph.

The lack of experience with commercial offtake contracts and high consulting and legal fees could also be a barrier to the growth of PPAs, particularly in the SMEs space. These challenges can be mitigated with the help of contractual standardisation. Standard renewable PPAs – such as the EFET renewable PPA – reduce negotiation time and transaction costs, and help to build confidence with authorities and banks.

The EFET renewable PPA was developed by EFET in cooperation with the RE-Source Platform. The standard contract is flexible and can be easily adapted to the needs of specific projects. It is freely available and can be accessed via our website (at <https://www.efet.org/home/documents?id=26>).