

# CPPA Introduction

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of Energy Traders  
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No

# PROPOSED AGENDA

## **1. Overview**

**European Commission**

**Route to the Market**

**1. CPPAs Footprint**

**2. CPPA Basics**

**3. EFET CPPA Agreement**

**4. Next Steps/Way Forward**

# 1. OVERVIEW

# European Commission Position

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EU Commission on Renewable PPAs, 5 February 2018

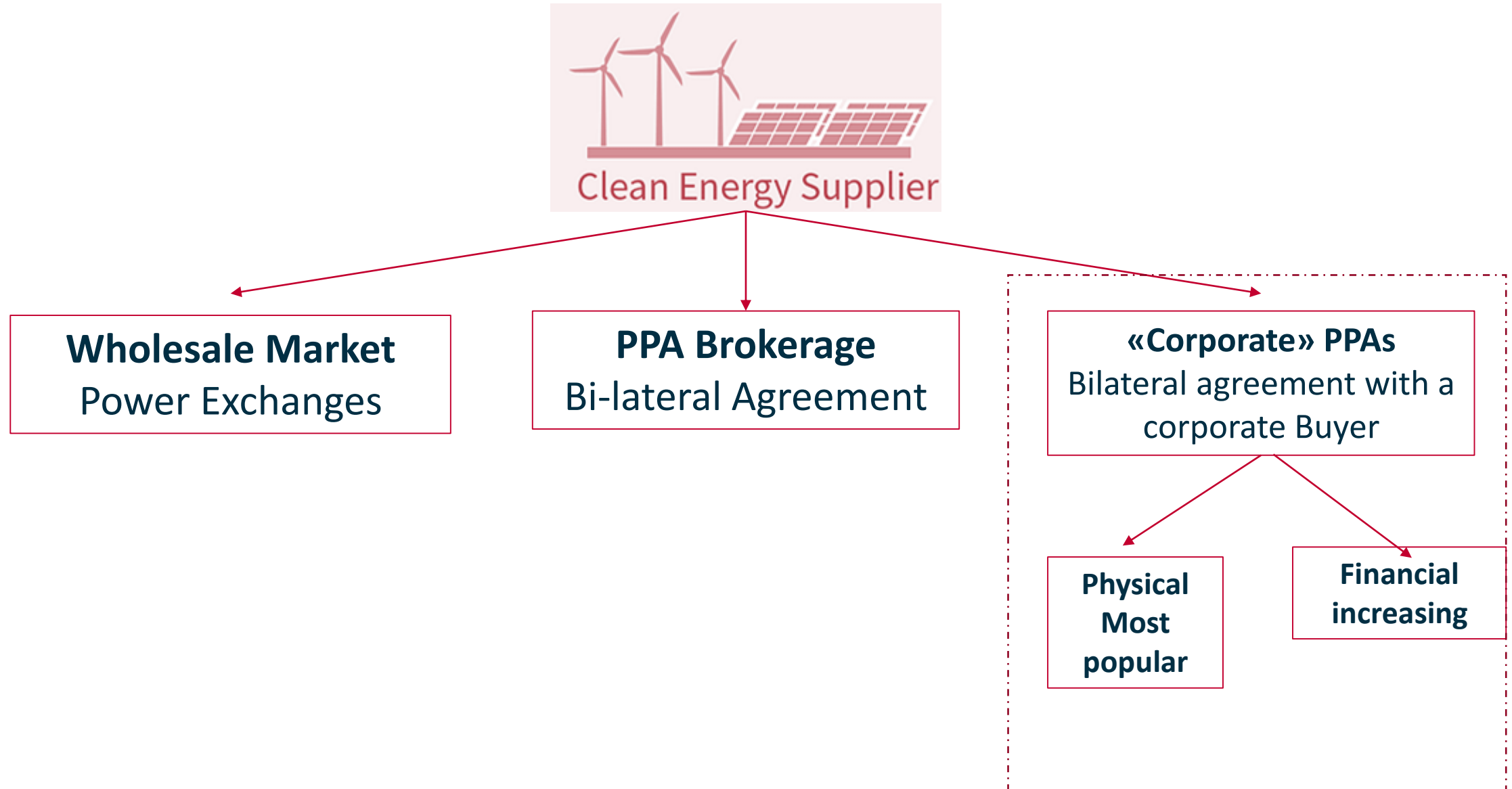
*«The Commission supports the development of **corporate power purchase agreements (PPAs)** for the off-take of energy from renewable sources»*

Directive (EU) 2018/2001 - Art. 15 (8)

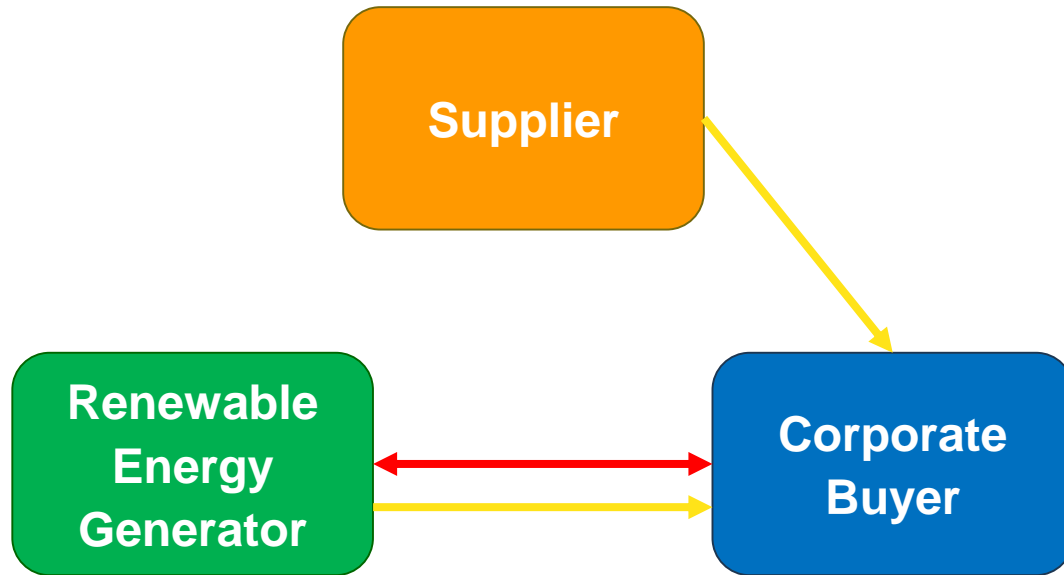
*“Member States shall assess the regulatory and administrative barriers to **long-term renewables power purchase agreements**, and shall remove unjustified barriers to, and facilitate the uptake of, such agreements. Member States shall ensure that those agreements are not subject to disproportionate or discriminatory procedures or charges”*

# Routes-to-market for RES / Alternatives

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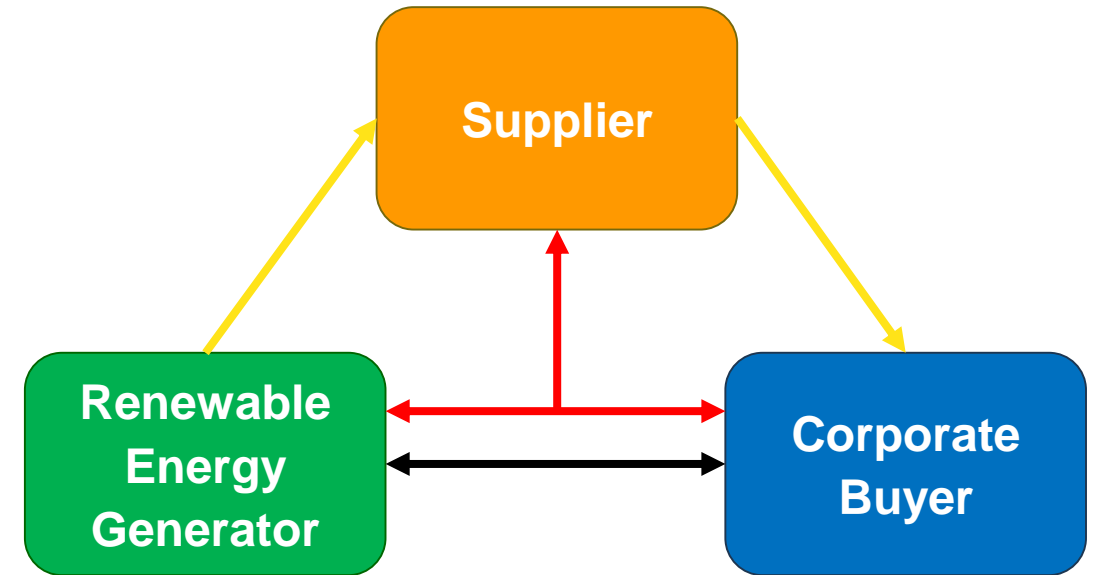


## Physical



- Corporate buys all electricity directly from generator, with top-ups from the supplier to match demand.
- 'Sleeving agreement' can be standard PPA but needs to dovetail with CPPA.

## Virtual / Financial / Synthetic?



- Electricity delivered to supplier, corporate buyer buys electricity from supplier on a standard PPA agreement.
- Corporate buys tradable „green certificates“ from RES generator and/or pays premium to the generator for transfer of the renewable benefit.

# EFET Standard - Who is using them? Testimonials

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I am proud that because of this EFET CPPA, there was no need to make use of external law firms to draft a new agreement. Deviations from the template were very limited during the contracting process. Our experience was therefore very positive” **Roland Kok, Innogy Renewables – Customer Solutions**

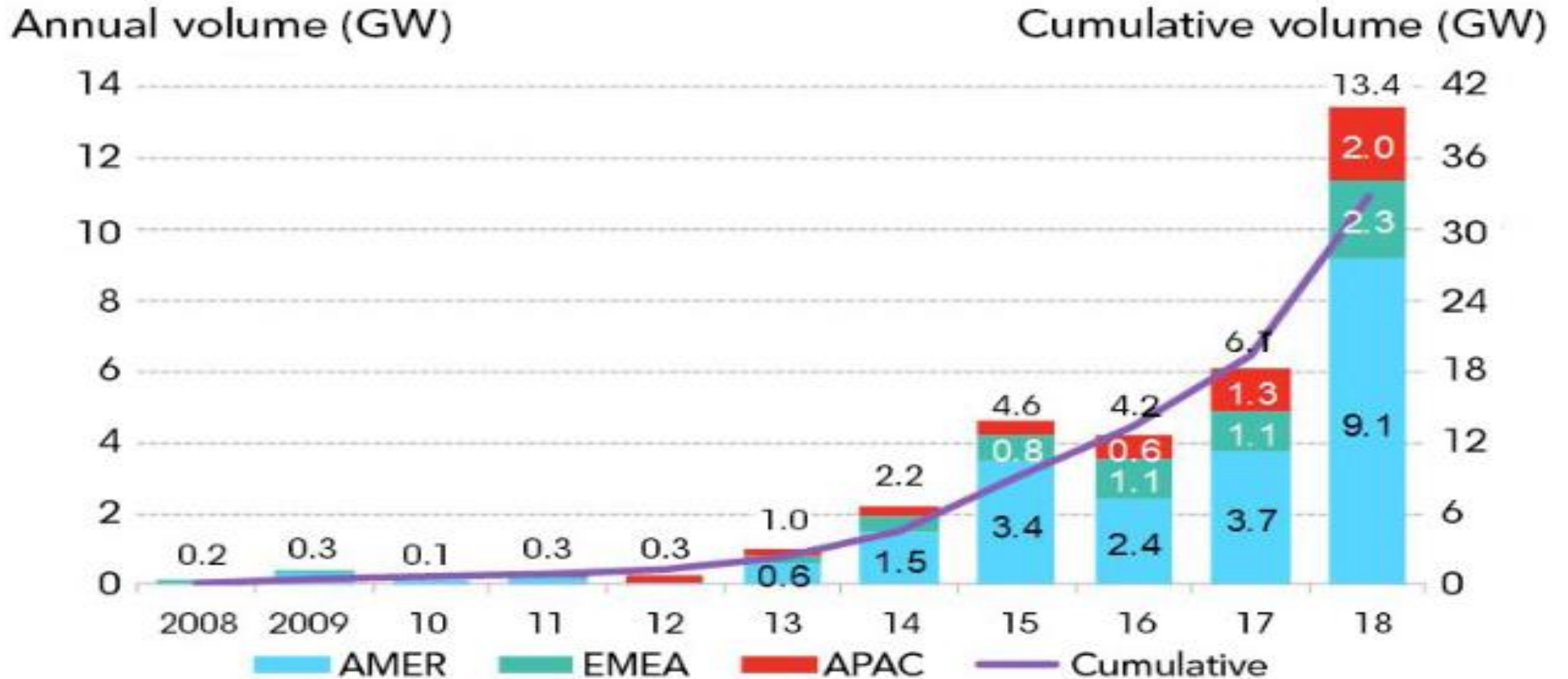


“The EFET CPPA contract helped us to navigate and speed up the contracting process for our first corporate renewable PPA, by removing much of the complexity and addressing all points that we needed to consider as a new market entrant. This is a well-prepared document and a useful tool for corporate buyers working to increase sourcing of renewable electricity.” **Bill Russell, Asahi Breweries Europe Group**

## 3. CPPA Footprint

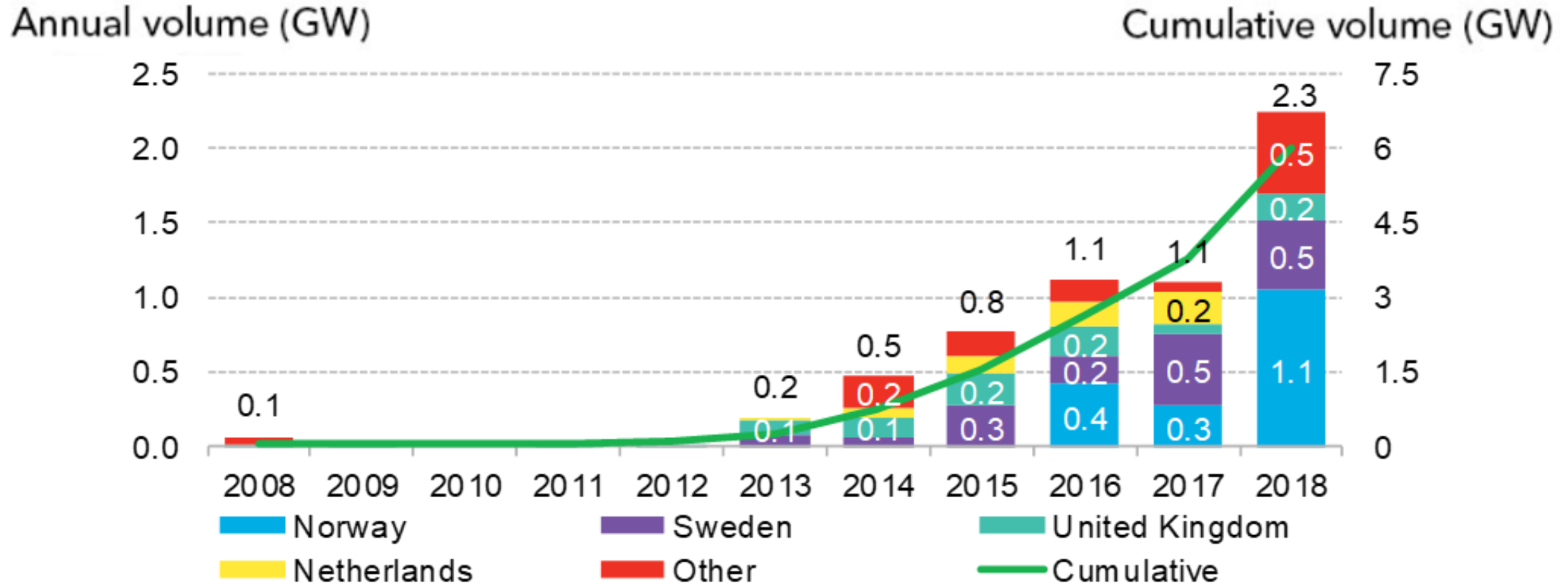


# Global CPPA Volumes



Source: BloombergNEF (2018)

# European CPPAs Volumes



Source: BloombergNEF (2018)

# Who is active in the PPA arena? Market players

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## **Banks**

- What are the activities of the financial sector in PPA arena?
- What are the challenges for banks?

## **• Utilities/Traders**

- What is the role of utilities?
- What are the challenges for utilities? What is important for them?

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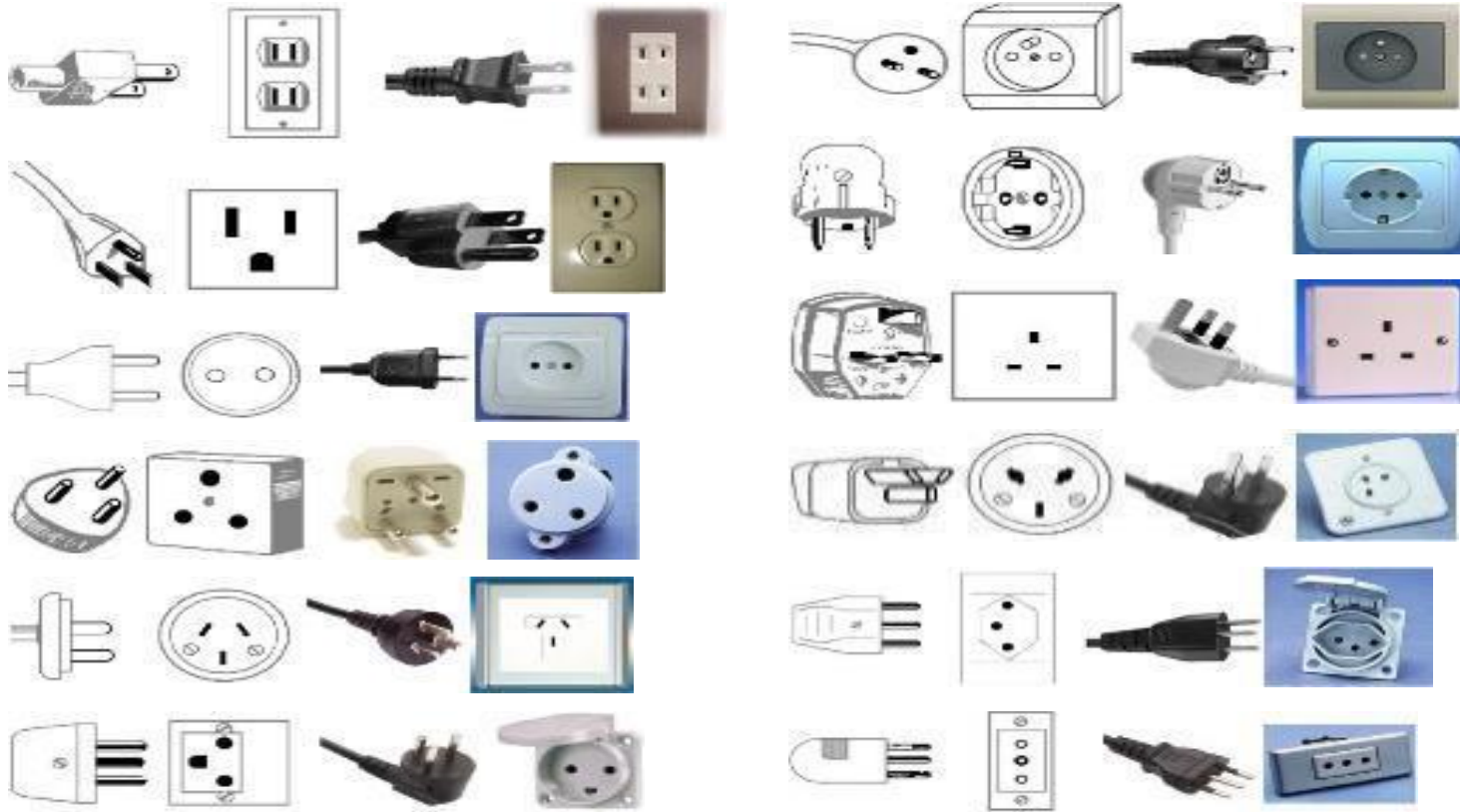
## **Project Developers**

What are the challenges for them?

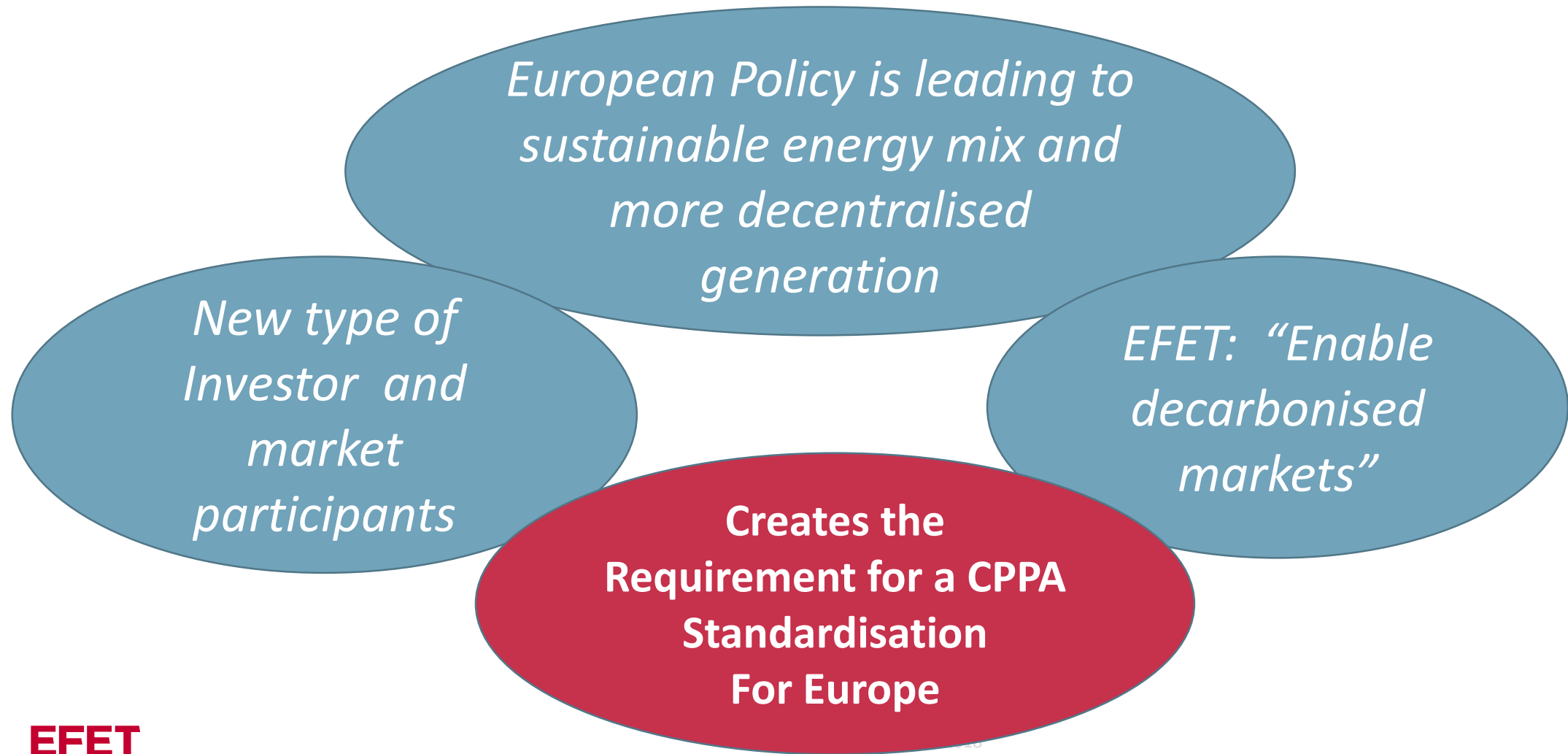
# **3. CPPA BASICS**

# Why contractual Standardisation?

- Back to Back Principle - how things can go wrong...



# Reasons



# PPA: key risks factors

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## Counter-party risk

- Size, credibility, track record
- Creditworthiness

## Project-related risk

- Route-to-market for remaining volumes
- Development status
- Project delays, breakdowns, etc.
- Imbalance costs, curtailments

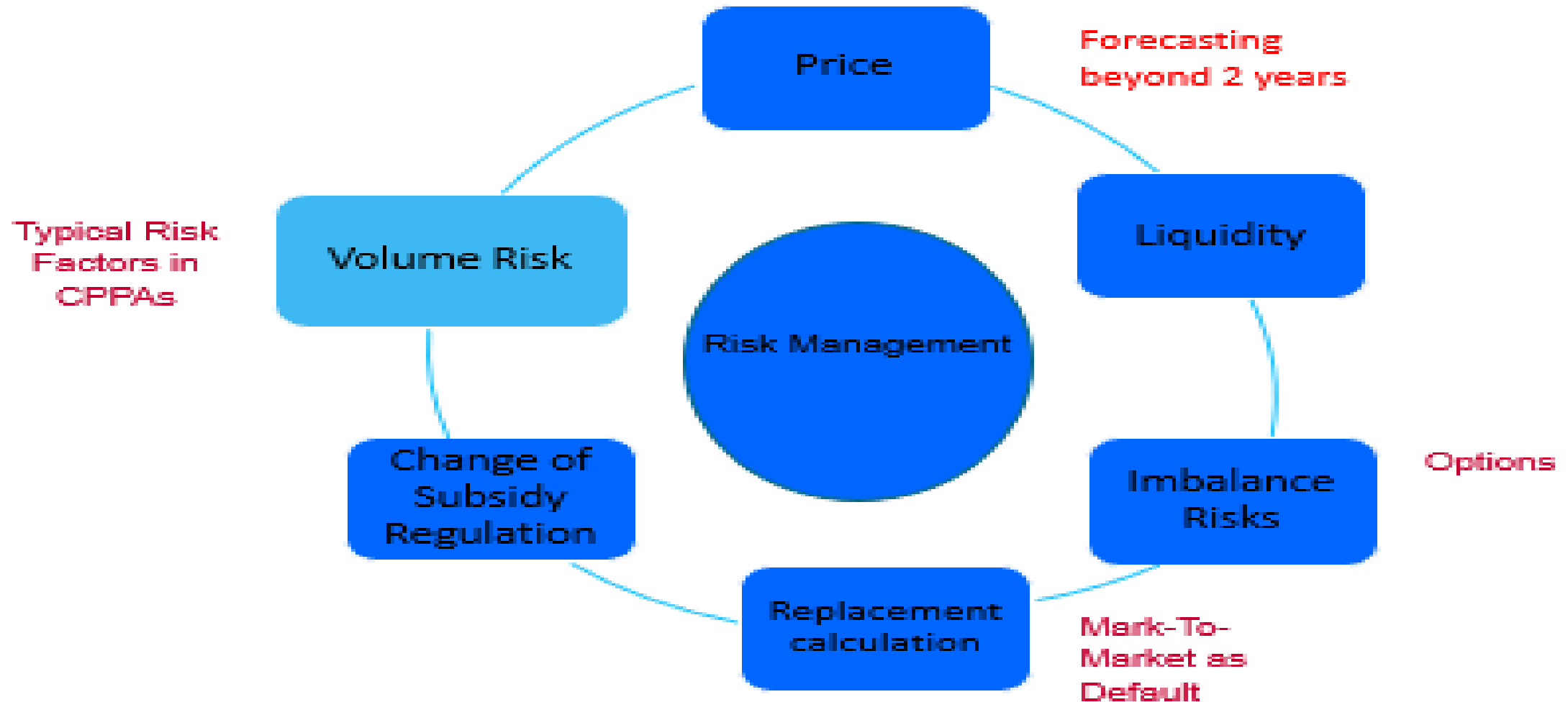
## Country risk

- Currency risk / Forecasting price
- Political and regulatory stability
- Subsidy regulations
- Change of Law Clause

*Adapted from: NordPOOL (2020)*

# Risk Circle

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# Challenges

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## **Corporate Buyers / Consumers**

- Limited amount of corporates active
- Few off-takers covering the market
- Smaller industries less willing to enter into long-term CPPAs

## **Renewable Energy Generators**

- Limited risk capacity
- Exchanges not liquid enough for long term hedging

Shortage of offtakers may limit RES  
growth (or inspire new solutions)

## **4. EFET CPPA AGREEMENT**

# Industry joining forces...



European platform for corporate  
renewable energy sourcing

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Input and  
expression of  
needs from RES  
producers and  
corporate buyers

**Standard  
corporate PPA  
for cross-border  
renewable  
electricity trading**

20 years of  
experience in  
contracts  
standardisation for  
cross-border  
energy trading

# Tool to support the growth of PPAs





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- Standard EFET CPPA **approved on 6 June 2019** with support of RE-Source platform, Wind Europe and Solar Power Europe
- Developed **back-to-back with standard EFET contract** for power transactions and EECS Master
- Same terminology, same structure, adapted to the needs of PPAs – **building on the reputation and trustworthiness of EFET standards**

# Architecture

## Part I



**EFET**  
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PART I (Individual Terms) of the  
Individual Power Purchase Agreement

between:

\_\_\_\_\_

having its registered office at \_\_\_\_\_  
[renewable source electricity generator] ("Seller"); and

\_\_\_\_\_

having its registered office at \_\_\_\_\_  
[corporate buyer or utility] ("Buyer")

(referred to jointly as the "Parties" and individually as a "Party")

on the date \_\_\_\_\_ ("Signature Date"), where the commercial terms of this individual power purchase agreement are set forth below in this Part I (Individual Terms), and the general provisions of which are set forth below in Part II (General Provisions), and which incorporate by reference herein, and form a part hereof.

SECTION A: COMMERCIAL PROVISIONS

1. SETTLEMENT AND TOTAL SUPPLY PERIOD

1.1 The basis on which this Agreement shall be settled shall be:

☐ Physical settlement of electricity ("Physical Settlement"); or  
☐ Financial settlement of electricity ("Financial Settlement")

\_\_\_\_\_

1.2 The Total Supply Period shall be:

☐ The period commencing at 00:00 CET on the first day immediately following the Commercial Operation Date and expiring on the termination or expiry of this Agreement in accordance with its terms; or



☐ The period commencing on the later of (i) 00:00 CET on the first day immediately following the Commercial Operation Date, and (ii) 00:00 CET on [specify date] \_\_\_\_\_, and expiring on the termination or expiry of this Agreement in accordance with its terms

\_\_\_\_\_

Part I - 2  
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## Elective Provisions

## Part II



**EFET**  
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PART II (General Provisions) of the  
Individual Power Purchase Agreement

§ 1.  
Subject of Agreement

1. Type of Settlement: This power purchase agreement ("Agreement") governs:

(a) if Physical Settlement is specified as applying in Section A of Part I (Individual Terms), the purchase, sale, delivery and acceptance of the Contract Quantity of electricity from the Seller to the Buyer; or

(b) if Financial Settlement is specified as applying in Section A of Part I (Individual Terms), this Agreement governs the obligation of each Party to reimburse the other Party, as applicable, for the Price Differential (if any), and

both in the case of Physical Settlement or Financial Settlement, the purchase, sale, the Delivery and acceptance of the Contract Quantity of Certificates from the Seller to the Buyer.

2. Balancing Services: If specified as applying in Section B of Part I (Individual Terms), this Agreement additionally governs the provision of the Balancing Services by the Buyer to the Seller.

§ 2.  
Definitions and Construction

1. Definitions: Terms used in this Agreement shall have the meanings set out in the Annex (Defined Terms) or the EECS Rules.

2. Inconsistencies: In the event of any inconsistency between the provisions of Part I (Individual Terms) and the provisions of Part II (General Provisions) of this Agreement, the provisions in Part I (Individual Terms) shall prevail. In the event of any inconsistency between the definitions of the EECS Rules and the definitions of this Agreement, the definitions in this Agreement shall prevail. Subject to the preceding, in the event of any inconsistency between the provisions of this Agreement and the provisions of a Support Agreement and/or a Direct Agreement concluded between the Parties or between the Parties and a third party, the provisions of the Support Agreement and the Direct Agreement shall prevail.

3. Interpretation: Headings and titles are for convenience only and do not affect the interpretation of this Agreement.

4. References to Time: Unless otherwise specified in Section B of Part I (Individual Terms), all references to time shall be to Central European Time.

Part II - 1  
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## Main Body of Provisions/contract

## CHARACTERISTICS

- Single Use
- Risk allocation is depending on elections made in PART I
- Modified in line with PPA scenario

**Banks**



How do they benefit

**Buyers**



Interest?

**Traders**



Standard Best practice

- CCPA keeps credit clauses EFET Master intact
- Back-to-back issues, and target with a maximum convergence with standard EFET documentation.
- Netting effects can be achieved in close-out scenario through either construction:
  - Annex to the EFET Electricity Master, or
  - By bringing the PPA in scope of a EFET Master Netting Agreement (MNA) as „other agreement“
- With PPA exposures being within the netted portfolio, credit protection can be achieved in jurisdictions where close-out netting concepts are recognised
- Individual analysis of individual scenario required

## **5. NEXT STEPS / WAY FORWARD**



# Way Forward: what the next steps?

Screening of national laws  
and subsidy systems  
relating to GOOs/PPAs,  
different market practices  
may result in Guidance  
Notes on national practices  
**Delivery drafts until  
6/2020**

**User  
Education**

Translations - Dual Language  
templates following  
established EFET practices  
**Delivery drafts 3/2020**

Legal Review of GOO in  
CPPA context Endorsement  
by joint working group EFET  
Legal and Market  
Supervision Committees for  
Mifid review (on legal CPPA  
qualifications)  
**-> as of 2/2020**

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[www.efet.org](http://www.efet.org)

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