CPPA
Introduction

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PROPOSED AGENDA

1. Overview
   European Commission
   Routse to the Market
   1. CPPAs Footprint
   2. CPPA Basics
   3. EFET CPPA Agreement
   4. Next Steps/Way Forward
1. OVERVIEW
European Commission Position

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»


“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

- Wholesale Market
  - Power Exchanges
- PPA Brokerage
  - Bi-lateral Agreement
- «Corporate» PPAs
  - Bilateral agreement with a corporate Buyer
  - Physical
    - Most popular
  - Financial
    - Increasing
CPPA Variants

Physical

- Corporate buys all electricity directly from generator, with top-ups from the supplier to match demand.
- 'Sleevling 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

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

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

European Policy is leading to sustainable energy mix and more decentralised generation

EFET: “Enable decarbonised markets”

New type of Investor and market participants

Creates the Requirement for a CPPA Standardisation For Europe
PPA: key risks factors

**Counter-party risk**
- Size, credibility, track record
- Crediworthiness

**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)*
Challenges

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…

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

• 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
Part I

Elective Provisions

Part II

Main Body of Provisions/contract

CHARACTERISTICS

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

Banks

How do they benefit

Buyers

Interest?

Traders

Standard Best practice
Credit Protection CPPA

- 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