Which contractual framework for renewables?

Focus: Corporate PPAs

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Overview

Project Related
- Landowner
  - Long-term Land Lease
- Insurances
  - Insurance Policy
- EPC Contract
  - Performance
  - Bonds Guarantees
- Purchase Order
  - Warranty
- Vendors
- Subcontract
- Subcontractors

Financing & Control
- Independent Expert
- Lenders
- Sponsor
- Equity Investors
- Management
  - Contract

Operations
- O&M Contract
  - Operator Liability
- Interconnection Agreement
- Grid Operator
- Technology Operating License
- Technology Provider

Power Purchase Agreement (PPA)
Power Purchase Agreements (PPAs)

(RES) REGULATORY FRAMEWORK

- FiT
- CfD
- GC Regime
- Wholesale PPA
- Utility PPA
- Corporate PPA

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Corporate PPAs – Developments

• Increase of Corporate PPAs in Europe

• Top Five Countries: Norway, Sweden, the Netherlands, the UK and Spain

• Upcoming: Germany, Denmark, France, Poland and other European countries

• Clean Energy Package promotes PPAs
Corporate PPAs – Market Environment

When are PPAs attractive?

- Absence of regulatory barriers
- RES availability
- Demand growth high and volatile prices
- Compatible RES subsidy scheme
Corporate PPAs – Major Drivers

**Corporate**
- Climate change & sustainability corporate targets
- Risk mitigation
- Reduction of energy costs

**Generator**
- Phasing out of FiT
- Project bankability
- Lower cost of capital (through guaranteed offtake)
## Corporate PPAs – Structures

<table>
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<tr>
<th>Type</th>
<th>Description</th>
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| **On-site**| • RES plant located on-site or near-site  
              • Behind the meter  
              • Private wire / direct line  
              • No need for network use |
| **Off-site**| • RES plant connected to the Grid  
              • Independent from site restrictions |
| **Sleeved**| • Physical flow  
              • Third parties involved  
              • Back-to-Back PPA with utility |
| **Virtual**| • Financially settled  
              • Parties agree on a strike price  
              • No physical flow  
              • No network charges |
Corporate PPAs – TOP 3 Challenges

Corporate
- Demand and Price Forecast
- Missing PPA Standards
- Internal Approvals

Generator
- Lenders requirements
- Regulatory Changes
- Floor Price
Contractual Risk Management

RES Corporate PPA Risks

- Development
- Volume and profile
- Change in law
- Force majeure
- Balancing
- Credit
- Term of contract
- Price
Corporate PPAs – Summary

• New opportunity for additional RES capacities / alternative to FiT

• Well balanced corporate PPAs create “bankability” of new projects

• Challenge: market conditions/volatility/uncertainty

• Regulatory barriers to be broken down, otherwise it will not work!

• Contractual risk management is a key challenge
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Thank you!