

CONSULTATION RESPONSE



Response to the European Commission's Call for Evidence on PPA market

Brussels, 20 February

Response

We welcome the opportunity to provide feedback on the PPA market. This response presents **concise recommendations**, and we remain open to participating in a dedicated stakeholders' workshop to provide a more thorough understanding of the barriers and risks associated with PPA deployment.

Energy traders play a central role in facilitating PPAs. Through risk management, aggregation, and market access, they bridge the needs of renewable generators and electricity consumers. They absorb price, profile, and balancing risks, transforming variable renewable output into firm, bankable offtake arrangements that support project financing and broaden access to PPAs beyond the largest corporates.

Many of the challenges facing PPAs stem from **market dynamics**, including price volatility, risk-shaping, and volume uncertainty, which regulation cannot solve. However, **targeted and smart policy tools**, together with **the removal of policy barriers**, can support their increased uptake.

Harmonised and transparent regulatory framework

- **Targeted EU-level harmonisation** to eliminate national differences in PPA treatment, including removing barriers arising from divergent national redispatch rules.
- **Predictable regulation** to foster market confidence, which is essential for the conclusion of long-term PPAs.
- **Harmonisation and digitalisation of Guarantees of Origin (GO) processes**, including the integration of PPA settlement and compliance.

Promotion of cross-border PPAs

- **Issuance of long-term transmission rights (LTTRs)** with longer maturities (beyond five years) to enable the hedging of cross-border risks over the full duration of PPA contracts.

- **Alignment of green reporting frameworks with the geographical scope of the integrated European electricity market**, by ensuring that deliverability criteria in the revised GHG Protocol reflect interconnected market boundaries.

Barriers stemming from financial regulation

- Barriers are not limited to energy market regulation. **Certain aspects of accounting and financial services legislation also hamper PPA deployment.** For example, the current clearing threshold set by the European Market Infrastructure Regulation is not fit for the unique long term nature of virtual PPAs, and a bespoke exemption from such threshold should be considered.

PPA-friendly design of subsidy schemes

- **Market-based instruments** remain the most effective tools for forward hedging and for financing low-carbon generation. When Member States opt for subsidy schemes, it is crucial that their design **actively supports PPA markets** (and forward markets more broadly) and **preserves effective market functioning**, rather than distorting price signals or displacing private contracting.
- **Contract for Difference (CfD) designs** should include **voluntary carve-out volumes** for PPAs and appropriate reference prices, including forward market references, to support effective hedging. Where PPAs are used alongside CfDs, however, the specific terms of the PPA should remain for the contracting parties to negotiate.
- **Public credit guarantee schemes** to support and facilitate broader access to PPAs. In this light, we welcome the EIB's pilot aimed at de-risking PPA and encourage its upgrade, while adding a direct guarantee track.

Keeping the central PPA platforms voluntary

- Several market-based platforms have **emerged organically** in response to demand. We therefore remain very sceptical of the added value of centrally organised platforms, as public support can give them an **unfair advantage** over merchant ones.
- Should such measures nevertheless be pursued, we set out **key recommendations** attached to our response.

Better use of existing standards

- As concluded by ACER, further voluntary standard templates are not necessary, as PPAs are bespoke contracts whose advantage lies in flexibility. Widely used **market-**

CONSULTATION RESPONSE



developed templates already exist and serve as a common basis for market participants. We therefore recommend **knowledge-building initiatives** to support and enhance their effective use.

Contact

Name: Andrej Stancik
Position: Senior Policy Advisor
E-Mail: a.stancik@energytraderseurope.org