

Eurelectric response to the Call for Evidence on removing barriers to power purchase agreements

A Eurelectric consultation response paper

Eurelectric represents the interests of the electricity industry in Europe. Our work covers all major issues affecting our sector. Our members represent the electricity industry in over 30 European countries.

We cover the entire industry from electricity generation and markets to distribution networks and customer issues. We also have affiliates active on several other continents and business associates from a wide variety of sectors with a direct interest in the electricity industry.

We stand for

The vision of the European power sector is to enable and sustain:

- A vibrant competitive European economy, reliably powered by clean, carbon-neutral energy
- A smart, energy efficient and truly sustainable society for all citizens of Europe

We are committed to lead a cost-effective energy transition by:

investing in clean power generation and transition-enabling solutions, to reduce emissions and actively pursue efforts to become carbon-neutral well before mid-century, taking into account different starting points and commercial availability of key transition technologies;

transforming the energy system to make it more responsive, resilient and efficient. This includes increased use of renewable energy, digitalisation, demand side response and reinforcement of grids so they can function as platforms and enablers for customers, cities and communities;

accelerating the energy transition in other economic sectors by offering competitive electricity as a transformation tool for transport, heating and industry;

embedding sustainability in all parts of our value chain and take measures to support the transformation of existing assets towards a zero carbon society;

innovating to discover the cutting-edge business models and develop the breakthrough technologies that are indispensable to allow our industry to lead this transition.

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WG Wholesale Market Design & Investment
Frameworks
WG RES & Storage
WG Financial Regulation & Market Integrity
WG Retail Market Design
WG Market Integrity & Network Codes

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Power purchase agreements (PPAs) are a win-win for offtakers and generators, and help drive Europe's energy transition

The Electricity Market Design (EMD) reforms preserved, importantly, an efficient functioning power system by maintaining the existing target model of short-term wholesale markets based on marginal pricing and focused on improving long-term hedging and contracting opportunities. Further improving access to long-term contracts will be key to ensure that offtakers feel the benefits of the EMD reforms. PPAs additionally play a key role in supporting the development of new, and financing of existing, generation - contributing to Europe's decarbonisation and climate neutrality objectives.

For offtakers, ensuring long-term certainty of energy costs against volatile markets is a key benefit of long-term contracts (i.e. through signing a PPA), alongside enabling the linking of electricity consumption to clean generation for consumers that desire to use more sustainable energy. This may come at a premium, with risk allocation defined as part of a free and fair commercial negotiation (and, as part of this negotiation, typically defining which party is best to manage different risks¹).

Eurelectric believes it to be vital that PPAs remain market-based and tailored to specific project and offtaker requirements, with contracts finalised through bilateral negotiations.

Eurelectric's priorities for further increasing the uptake of PPAs

There are, at present, several remaining barriers to improving access to PPAs. These are explored below.

However, given the bespoke nature of PPA contracts, it must be noted that any barriers will depend on the type of PPA signed – for example, physical PPAs, financial/virtual PPAs, or both, as well as greenfield PPAs or PPAs from existing assets. It is unclear whether this Call for Evidence is targeted at general barriers to all PPAs, or barriers to specific PPA types (e.g. virtual or physical).

¹ Particularly important risks that require allocation as part of PPA negotiations include price, volume, profile, balancing, credit, legal and regulatory risks.

1. Maintaining the efficient functioning of electricity markets

i. Ensure a sufficient pipeline of RES deployment

An effective way to promote PPAs is through facilitating a substantial pipeline of new RES developments in need of financing arrangements. Enabling an accelerated buildout of RES requires steps that can be taken at both European and Member-State level, including streamlining permitting processes for RES infrastructure and reduce administrative complexity, and ensuring sufficient network development and a move beyond the existing “first-come-first-served” connection principle at Member-State level where more efficient alternatives exist.

Eurelectric welcomes the intent of European legislation to help fast-track the development of new RES projects. For example, the industry is broadly supportive of the recent third revision of the Renewable Energy Directive, aimed at ensuring streamlining permitting across Member-States, as well as recent guidance and legislative changes proposed as part of the Grids Package. Notably, this includes the Commission Guidance suggesting that Member-States consider transitioning towards more efficient alternatives to the existing “first come first served” approach to grid connections and allow prioritisation based on Member-State industrial policy priorities, and reforms to permitting for electricity networks. Nonetheless, we remain concerned that implementation of European legislation at Member-State level remains slow and should be further accelerated to provide certainty to market participants.

Eurelectric recommendation:

- Member-States and the Commission must ensure timely, full, and simple transposition of RED III. The Grids Package should be adopted and implemented swiftly, in a way that efficiently fosters grid, storage and renewables build-out.

ii. Ensure that PPAs and other long-term contracts function efficiently together

Electricity generators have several options to hedge their market, liquidity and credit risks when selling their electricity. Alongside commercial PPAs with offtakers, generators can enter a medium-term contract through power exchanges (forward market contracts) or participate in Member-State backed support schemes with competitive bidding auctions (e.g. two-way contracts for difference). Each revenue source carries its own advantages and disadvantages for electricity generators. To balance and optimise portfolios whilst ensuring competitive electricity prices for generators, all these instruments should remain available to market participants on voluntary terms. In addition, different long-term contract options should be treated neutrally when managing system-related risks, such as dispatch-down, to ensure a level playing field between different contracting options.

Eurelectric notes the risk that poorly designed CfDs can draw liquidity away from other long-term markets (such as the PPA market)². In this context, Eurelectric welcomes the recent Commission guidance³ to Member-States on the efficient design of, and preserving the market responsiveness of, two-way contracts for difference (CfDs). The implementation of efficient CfDs that promote complementarity between different long-term contract options, whilst avoiding restrictions on how electricity generators sell produced electricity, will avoid the creation of barriers to PPAs.

Nonetheless, this guidance also includes elements that we find concerning. Whilst non-binding, this guidance may influence future state aid decisions on support schemes for clean generation; as such, the labelling of restricting PPA contracting times to 5 years,

² Eurelectric, 2024 [Unlocking the power of CfDs to accelerate the energy transition](#).

³ European Commission, 2025 [Guidance on the design of two-way contracts for difference](#).

reducing the tick size to 1MW and making public auctioning mandatory as “good practice” creates administrative barriers to the conclusion of PPAs.

Eurelectric recommendation:

- Member-States should design RES and clean generation support schemes in such a way as to ensure that they complement other long-term contracts, improving PPA market liquidity – for example, by allowing generators, on a voluntary and project-specific basis, to participate in CfD schemes with a proportion of project capacities and enabling the rest to be sold through PPAs.

iii. Avoid market interventions and maintain a stable regulatory environment

The Energy Crisis demonstrated how market interventions can disrupt PPA markets, creating uncertainty and eroding confidence in the political and regulatory environment. Public interventions, such as price caps or windfall taxes, introduced unpredictability, making off-takers and developers hesitant to engage in PPAs. This can be seen, for example, in the reduction in the number of PPAs signed in 2022 compared to 2021 (by around 21%), reversing previous strong momentum in the PPA market⁴. The risk of market intervention can significantly increase the complexity of PPA contractual negotiations (for example, by increasing the prevalence of ‘change in law’ clauses) and increase risk premiums that ultimately only reduce the attractiveness of a long-term PPA.

A form of concerning market intervention can be seen in ownership-related restrictions, such as those applied in Spain. Under the current framework, suppliers and operators holding more than a 10% market share are prevented from signing PPAs with renewable energy plants in which they do not own at least 50%. This constraint limits the pool of potential off-takers, slows down PPA deployment, and fails to reflect the increasingly diversified and competitive structure of today’s electricity market.

Eurelectric recommendation:

- Member-States and the Commission must avoid market interventions and ensure regulatory stability in the electricity market.

iv. Unlock grid infrastructure for both assets and off-takers

Addressing grid constraints is vital for reducing system costs and attracting new RES and clean energy deployment, as well as for supporting off-takers. Demand for grid connections is growing, as new loads are in a race to secure transmission and distribution network access, whilst existing loads seeking to electrify their operations will require increased grid capacity to meet rising power needs. Insufficient network investment lies at the heart of this issue, with 30% of grid infrastructure over 40 years old. In certain Member-States, rising grid tariffs and curtailment costs because of network congestions are increasingly difficult to price into PPAs and can be a significant barrier to PPA settlement (and potentially even to the deployment of RES generation capacities at scale, c.f. barrier 1.i).

In this context, Eurelectric welcomes the proposed Grids Package and supports the intention of speeding up grid deployment to avoid the creation of bottlenecks for both new assets and new electrified demand.

Eurelectric recommendation:

- European legislators should progress with the revisions to permitting and network development under the Grids Package.

⁴ Pexapark, European PPA Market Outlook 2023.

2. Administrative simplifications and enabling access to financing for offtakers

i. Simplify accounting and reporting obligations for financial/virtual PPAs

The reporting and accounting obligations for financial PPAs in the EU remain a significant potential barrier to their uptake, particularly in the case of virtual PPAs and complex settlement models. Financial PPAs are an increasingly important type of PPA across Europe (although the structure of any PPA should be decided as part of negotiations between the asset owner and offtaker), however, their treatment under accounting rules remains unfavourable. Under EU standards financial PPAs are required to be reported as derivatives that are revalued according to the market. These revaluations can lead to movements in profit and loss statements for offtakers, reducing the attractiveness of a financial PPA.

This lack of clarity and consistency may lead to high implementation burdens, increased uncertainty and, in the worst case, prevent otherwise commercially attractive agreements from being approved internally.

Eurelectric recommendations:

- The Commission should analyse accounting obligations for PPAs to mitigate and/or remove any obligations that create barriers for PPA uptake. This should include the simplification of reporting of financial PPAs and additional guidance for offtakers on reporting requirements. Hence, a proportional approach with a focus on high-level data points rather than detailed contract-level reporting should prevail.
- The Commission should provide offtakers and market participants with clearer and more consistent guidance on the accounting treatment of PPAs, including the conditions for hedge accounting and a reduction in interpretation risk.

ii. Addressing the challenge of reflecting the real exposure of PPAs in legislation and requirements for collateral/guarantees

One of the most significant practical barriers is managing counterparty risk over long tenors, including requirements for collateral/guarantees and access to instruments that can hedge default risk. This affects the price, the contractual structure, and ultimately the number of PPAs that can realistically be executed.

Virtual PPAs play an increasing role in the hedging of market risks faced by renewable electricity producers who sell their electricity at market price. These contracts allow RES operators to receive financial compensation if the market price drops below an agreed strike price, thereby achieving the same result as a physical PPA and contributing to the de-risking of RES projects. Due to their understanding of electricity markets, utilities are in an ideal position to provide such contracts and meet the hedging needs of third parties.

The value of a virtual PPA, as a long-term OTC derivative, is counted towards the EMIR commodity clearing threshold of utilities that offer such contracts to RES operators with hedging requirements. The regulatory framework should therefore enable more bankable forms of credit enhancement and risk-sharing, while avoiding the creation of any new, unintended clearing or margin requirements. There is a challenge that multi-year PPAs add up the exposure, so that the legislative thresholds are easily exceeded, even though the underlying production apparatus and the agreed purchase (consumption) do not warrant such a high exposure.

The current review of Delegated Regulation EU 149/2013 offers the opportunity to improve this situation by amending the definition of risk-reducing derivatives to ensure that utilities offering virtual PPAs can account them as hedging transactions.

Eurelectric recommendations:

- The Commission should recognize structured hedging arrangements, such as financial long-term PPA contracts (i.e. “virtual PPAs”), as risk-reducing across financial regulation when they directly relate to risk management of production from renewable energy sources. Otherwise, the Commission should ensure that the clearing thresholds under the EMIR Regulation are set high enough to prevent energy companies from artificially exceeding them when offering financial long-term PPA contracts to renewable producers. Alternatively, legislative solutions should be found to ensure that the aggregate exposure of multi-year PPAs reflects the real/actual risk of the underlying production facilities and the agreed offtake. Further initiatives should be taken to help requirements for collateral/guarantees for PPAs reflect the real exposure of such contracts.
- The Commission should, as part of the review of Delegated Regulation (EU) 149/2013, update the definition of risk reducing derivatives so that virtual PPAs, when used to stabilize revenues from renewable energy production, are explicitly recognized as hedging transactions for all parties. This clarification would remove regulatory ambiguity, allow utilities to offer these products without breaching thresholds, and support broader EU goals to facilitate renewable project financing and long-term price stability.

iii. Refine the EIB’s role in developing a permanent framework for offtaker credit risk

Uncertainty about creditworthiness is a key barrier to PPAs across most economic sectors and in less-developed European economies, where many potential offtakers have appropriate energy demand to seek a PPA, but are likely not to be rated by major credit agencies (this includes SMEs as well as larger organisations). Eurelectric foresees a role for both Member-State driven initiatives and the European Investment Bank (EIB) in providing guarantee schemes or other financial instruments for reducing counterparty risk for PPA offtakers including a broader scope of clean, carbon-free generation technologies encompassing both repowering projects and existing assets that require no additional investment. These can help to reduce the overall PPA risk profile for the seller, limit the amount of cash/guarantees required from the off-taker, and lower the total final cost of energy. Any such guarantee schemes for offtakers at European or Member-State level could also help cover developer credit risk, to avoid exposure to market uncertainty. This would be particularly relevant for smaller developers without strong parent guarantees.

In this context, Eurelectric welcomes the establishment of the EIB’s pilot scheme to provide counter-guarantees to offtakers for corporate PPAs as part of the Clean Industrial Deal. We believe that further enhancements can be made to the existing pilot scheme by ensuring technology neutrality in both the existing pilot and any future permanent scheme, making the scheme more accessible and widening the scope of eligible offtakers, and ensuring that both repowering installations and existing generation assets are by default included within the scheme. Eurelectric proposes further amends for a permanent EIB derisking tool in our Position Paper on this topic⁵.

⁵ Eurelectric, 2025 [Derisking Clean Energy Procurement: Enhancing the EIB’s cPPA counter-guarantee programme](#).

Eurelectric recommendation:

- The EIB and Commission should further refine the existing EIB pilot scheme for counter-guarantees for PPA offtakers and establish this as a permanent derisking mechanism to enable greater access to PPAs including repowering installations and existing generation assets.

iv. Increase tenors for Long-Term Transmission Rights (LTTRs) and Electricity Price Area Differentials (EPADs)

When PPAs are concluded across borders, contract parties face additional risk due to the possibility of price divergence between bidding zones. This ‘basis risk’ can be hedged with LTTRs or EPADs auctioned periodically by TSOs in Europe. At present, maturities for LTTRs and EPADs do not extend beyond one year ahead, whereas PPAs are typically signed for at least five years, creating a product mismatch and adding to uncertainty for contract parties. The current framework for LTTRs and EPADs is therefore misaligned with long-term hedging contracts, resulting in a market barrier for cross-border PPAs.

Eurelectric recommendation:

- The European Commission should improve the framework for the issuance of LTTRs and EPADs at JAO, while preserving their specification as financial option products. The forthcoming revision of the Forward Capacity Allocation (FCA) Guideline should amend auction procedures to (i) increase LTTR and EPAD product maturities to a minimum of 3 years (ii) increase the volumes auctioned at JAO, and (iii) increase the frequency of LTTR and EPAD auctions.

3. Administrative simplifications and enabling access to financing for offtakers**i. Only allow standardised PPA contracts on a voluntary basis, where appropriate for both parties**

Eurelectric supports the fundamental principle that any PPA contractual negotiations remain bilateral, market-based and tailored to the specific needs of offtakers and generators. Whilst standardised contracts set by technology type could in theory save some time at the start of negotiations, PPAs require a negotiation process based on the specific requirements of producer and offtaker. In this context, Eurelectric would caution against the introduction of a compulsory standardised PPA contract, concurring with the judgement of ACER that existing voluntary industry-led and national standardised contracts generally remain sufficient for market needs⁶.

Any initiatives on the standardisation of PPA contracts, if pursued, must remain voluntary. Attempts to create a compulsory standardised PPA contract would reduce the flexibility that the existing PPA market offers for both asset owners and offtakers – one of the key benefits of a PPA – and would likely reduce liquidity in the PPA market. This should be seen in light of the fact that bilateral PPAs naturally work best for consumers with a certain larger or tailored consumption, while consumers with low consumption will typically be better off with the subscription types that already exist today. This said, however, harmonising *processes* and *minimum requirements* related to settlement and reconciliation, metering data and data-quality standards, dispute management, and change management throughout the contract lifecycle, could be one benefit to voluntary PPA standardisation. As Europe’s power grid evolves, and to bring forward investment into new flexibility and storage capacities, combinations of different clean technologies and storage could also be covered by voluntary standardized PPA products.

⁶ ACER, 2024 [No need for more Power Purchase Agreement templates](#).

Eurelectric recommendation:

- Best-practice standards that reduce back-office workload, errors, and time-to-implement could be beneficial. The Commission must ensure that standardised contracts for PPAs remain voluntary initiatives, noting ACER's judgement that industry-led and national standardised contracts remain sufficient for market requirements.

ii. Unlocking PPAs for a diverse range of customers

Enabling access to PPAs for a more diverse range of customers (e.g. SMEs, citizen organisations) is a welcome goal. Further exploration of the role of aggregators and multi-buyer PPAs may be useful in ensuring that smaller players can effectively participate in the market.

Multi-buyer setups could in theory broaden access to PPAs, but they would require clear frameworks for credit allocation and the default waterfall, netting and settlement arrangements, and operational governance.

Credit risk tends to be a significant issue for smaller or new companies, where relevant data collection may be particularly challenging and increasing the cost or complexity required to access hedging and/or guarantee tools. Ensuring access to simple hedging and/or guarantee mechanisms provided by Member-States for SMEs should therefore in theory help to increase the attractiveness of PPAs for smaller offtakers. This should be explored at Member-State level alongside an expanded role for the EIB counter-guarantees scheme (c.f. recommendation 2.ii of this document).

Other tools for enabling access to PPAs exist at Member-State level. For example, in Germany, there exist various instruments to increase demand for renewable electricity and the attractiveness of PPAs, such as by defining PPAs as eligible counter- or decarbonisation measures as defined in the domestic Industrial Power Price and the Power Price Compensation. The concept of "green lead markets", where the government creates incentives for industry to make its products greener, could also enhance PPA attractiveness, although this would require further investigation at Member-State level and in any case would need adaptation depending on national and regional specificities.

The complexity and legal uncertainty of multi-buyer PPAs is a key barrier to their wider use. Generators typically require a single contractual counterparty, which limits the scalability of these arrangements. At the same time, it is reasonable to expect potential difficulties in forming buyer partnerships, given challenges common to joint venture negotiations such as partner selection, governance arrangements, exit arrangements and conflict resolution. As such, legal and administrative negotiations play a role in reducing the attractiveness of multi-buyer PPAs.

Eurelectric recommendation:

- Member-States should consider options for improving access to funding mechanisms (e.g. credit guarantee schemes at Member-State level) and explore whether these could be targeted towards SMEs and other smaller potential offtakers. This includes considering frameworks that make voluntary multi-buyer models practically feasible without introducing disproportionate complexity.

iii. Ensuring a Guarantees of Origin framework that matches operational feasibilities

The handling of Guarantees of Origin (GOs) continues to create friction, particularly when processes need to function reliably in day-to-day operations. Key challenges identified include matching production and consumption with contractual requirements, aspects relating to timing, documentation and data-flow management, and cross-border implementation issues. GOs should remain recognized and tradeable across the EU/EEA.

For electricity sourcing, it is essential that the European Commission applies a consistent and harmonised approach to product carbon footprint methodologies across EU legislation. Acknowledging companies' efforts to source clean electricity, for example through PPAs with their associated GOs, is critical: these instruments enable industry to contribute directly to grid decarbonisation and accelerate the energy transition through private investment. Both a locational approach (based solely on national or EU average grid mixes) and a market-based approach (based on GOs) to sourcing electricity must therefore be recognised. Allowing a market-based approach actively promotes the usage of PPAs and therefore encourages private investment into new RES and clean generation. GOs should continue to evolve in a way that balances their granularity with practical usability, data availability, consumer willingness to pay and ability to drive renewable energy deployment.

At present the regulatory framework for issuing GOs in the case of storage remains unclear. Further guidance is required regarding the treatment of both colocated generation and storage, alongside amending rules to ensure that electricity sourced from RES that is stored alongside electricity from non-RES sources retains its renewable character under the GO framework. Any move towards increased granularity of GOs will require these issues to be resolved.

Eurelectric recommendation:

- Member-States should consider further harmonisation and digitalisation of GO processes, enabling easier integration into PPA settlement and compliance workflows.
- The Commission should ensure that it applies a consistent and harmonised approach to product carbon footprint methodologies across EU legislation, including recognition of both location-based and market-based approaches, to minimise barriers to PPA offtakers and avoid constraining the role of GOs in proving the use of clean electricity.
- The Commission should ensure that GO rules recognise stored electricity from RES at all times, including where stored alongside electricity from non-RES sources.

iv. The role of PPA market platforms

Eurelectric cautions against the creation of new PPA market platforms unless a clear market need is demonstrated. Lessons from existing initiatives, such as the Italian platform, should be assessed in terms of the impact that they have on market liquidity and effectiveness before pursuing new structures at a European level. Participation in market platforms should in any case remain voluntary.

Eurelectric recommendation:

- Member-States and the Commission should only consider the relevance of a Europe-wide PPA market platform if these are proven to be effective at improving PPA market liquidity. In any case, these should be voluntary.

Eurelectric pursues in all its activities the application of the following sustainable development values:

Economic Development

■ Growth, added-value, efficiency

Environmental Leadership

■ Commitment, innovation, pro-activeness

Social Responsibility

■ Transparency, ethics, accountability



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