BETTER POLICIES TO ACCELERATE THE CLEAN ENERGY TRANSITION

FOCUS ON CORPORATE PPAs



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Policy Brief
Better Policies to Accelerate the Clean Energy Transition

Focus on corporate PPAs in North Africa

About the project

This Policy Brief is part of the project "Better Policies to Accelerate the Clean Energy Transition" which aims at supporting countries in the Southern and Eastern Mediterranean region to accelerate the green energy transition by mapping existing legal and regulatory frameworks to identify barriers and provide policy recommendations.

The project is carried out by RES4Africa Foundation with the support of Enel Foundation as a knowledge partner.

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About this Brief

Over the last decade, renewable electricity in North Africa has grown more than 40% due to the rapid expansion of wind, solar PV, and solar thermal. Three-quarters of the region's growth is from Morocco, driven by support policies targeting private investments such as competitive auctions among independent power producers and corporate Power Purchase Agreements (PPAs). Almost 20% of Morocco's electricity supply comes from renewables, the highest penetration in the region. The rest of the growth is from Egypt, Algeria, and Tunisia, driven by a mix of procurement methods such as feed-in tariffs, competitive auctions, unsolicited bilateral contracts, and construction contracts. The largest amount of renewable capacity comes from competitive bidding policies for long-term PPAs with state-owned utilities in Algeria, Egypt, Morocco, and Tunisia. This Brief discusses the PPAs in North Africa and builds on worldwide best practices to increase the bankability of PPAs and accelerate the deployment of renewable energy.

The Brief is structured as follows:

I. Corporate Power Purchase Agreements (PPAs): a definition
II. Features of bankable PPAs
III. (Un)bankable PPAs in North Africa?
IV. PPA bankability: best cases from other countries

RES4Africa Foundation

Born in 2012, RES4Africa (Renewable Energy Solutions for Africa) is a Foundation that works in support of Africa's just energy transition to achieve the SDG7, ensuring access to affordable, reliable, sustainable, and modern energy for all. It functions as a bridge between Europe and Africa: gathering a network of members from all over the clean energy sector from both continents and high-level international partnerships, we ensure constant dialogue between the most relevant energy stakeholders willing to mobilise investments in clean energy technologies.

We envision the sustainable transformation of Africa's electricity systems to ensure reliable and affordable electricity access for all, enabling the continent to achieve its full, resilient, inclusive, and sustainable development.

We work towards creating favourable conditions for scaling up investments in clean energy technologies to accelerate Africa's just energy transition and transformation.

List of Acronyms

ANME	National Agency for Energy Management
FERGEI	Fondo Espanol de Reserva para Garantías de Entidades Electrointensivas
FiT	Feed in Tariff
GW	Gigawatt
MW	Megawatt
ONEE	Office National De L'électricité Et De L'eau Potable
PPA	Power Purchase Agreement
PV	Photovoltaic

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1. Corporate Power Purchase Agreements (PPAs): a definition

Everyone talks about Corporate Power Purchase Agreements (PPA) as a great solution for renewables, but these contracts are not new. The first occurred almost ten years ago in the United States and the United Kingdom when Google and Apple signed their first renewable energy PPA. However, in recent years, PPAs have increased as public authorities kick-started the renewable sector using incentives and setting roll-out targets for renewable capacity. This has led to lower renewable energy costs over the past decade, lower risk premiums on renewable technologies,[1] and intense competition in equipment manufacturing (wind turbines, solar panels, etc). In 2020, the global corporate renewable PPA volumes climbed to 23.7 GW, and the trend is expected to continue, according to the Bird & Bird report.[2] Most of the growth in corporate PPAs has taken place in the United States and Europe, but activity could soon spread into emerging solar markets, such as North Africa, with the right regulatory framework.

A corporate PPA is a long-term power purchasing mechanism (typically between 10 – 20 years) between an electricity generator and a corporate customer allowing the customer to procure renewable energy. It provides certainty over the wholesale price of energy over a particular period typically subject to indexation. On the generator side, the PPA provides an attractive and predictable revenue stream that assists in customer and risk diversification and eases access to capital. It also enables developers to construct new renewable infrastructure without reliance on Government tariffs, especially in regions where renewable resources and electricity prices are strong enough for projects to be economical without such support.

There are two leading models for corporate renewable energy PPAs: physical and virtual. Under a Physical Corporate PPA, also known as sleeved, if the renewable energy asset is on the same grid network as the company, the *buyer* (often the developer or project owner) can enter into the Corporate PPA with the generator and appoint a utility to deliver electricity on its behalf. The buyer needs to enter a back-to-back PPA to sell the electricity to the utility. The generator then transfers the electricity to the utility, which sleeves it through the grid to the *buyer* (often called off-taker). The utility often receives a sleeving fee. Physical Corporate PPAs are prevalent in Europe.

The virtual Corporate PPA, also known as synthetic or financial, is a contract under which the developer sells its electricity in the spot market and then settles the difference between the variable market price and the strike price with the corporate off-taker that receives the generated electricity certificate. These PPAs are more flexible as the generator and off-taker do not have to be connected to the same network. The corporate buyer agrees on a fixed PPA price and, potentially, a price for renewable certificates with the generator. Renewable energy is delivered to the grid, and the generator receives a variable spot price. The generator and the buyer settle the difference between the variable market price and the fixed PPA price. In other words, there is no physical delivery of electricity to the customer.

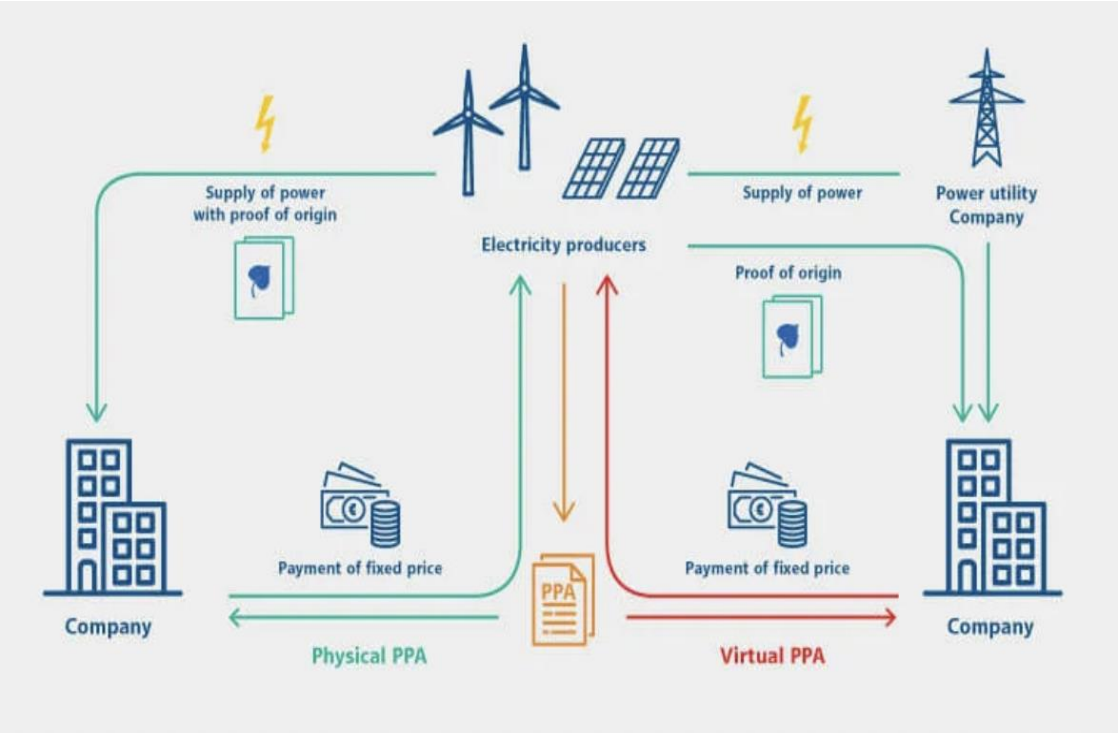
[1] Egli, (2020), Renewable energy investment risk: An investigation of changes over time and the underlying drivers.

[2] Bird & Bird (2021), Corporate PPAs an international perspective.

Virtual corporate PPAs are found in the USA and the UK.

As a matter of fact, PPAs are nothing new and are used similarly to finance conventional power stations. However, they are particularly important when building wind and solar farms. There are two reasons for this. Electricity produced from these energy sources has next to no unit costs. In other words, operating costs are virtually independent of capacity utilisation. It always costs the same to run these plants – no matter how much power they produce. Their operating costs are thus largely independent of commodity prices. This allows them to be forecast accurately and calculated when negotiating a PPA. However, wind and solar farms depend on the weather. They cannot generate electricity on demand – especially not when it would be particularly profitable to do so. Nonetheless there is a growing demand of companies seeking to decarbonize their energy needs.

Figure 1: Representation of PPAs[3]



2. Features of bankable PPAs

Bankability refers to whether a project will be acceptable to lenders and refers to the scope of consideration of a project seeking project financing in the commercial lending market. However, a project can also obtain financing from lenders other than commercial banks, including

[3] The energy blog for RWE.

development finance institutions and private equity funds. Therefore, bankability can also be thought of as the ability to attract financing from any source of funds rather than limiting it to one particular source.

The PPA is key to bankability. For the typical power project, there is only one stream of revenue - payments from the buyer under the PPA. If the buyer fails to pay, it will be complicated for the project to repay its lenders promptly. The PPA also helps to accommodate the unique nature of power projects. Power generation is unique in that the electricity generated is sold into a geographically limited, often regulated market. The PPA is essential because it addresses both the uncertainty in demand and pricing. On the demand side, the PPA establishes a long-term purchase obligation that provides a constant revenue stream to the producer and a consistent flow of electricity to the off-taker. On the pricing side, the PPA incorporates a tariff formula tailored to the project technology, operations, and debt characteristics, which can be modelled over the project's full life. This allows the PPA to establish an electricity price reflecting the true cost of generating the power.

The foundation of a successful and bankable power purchase agreement is achieving an equitable balance and allocation of risks amongst the contracting parties to the PPA. The risks outlined in the following paragraphs are not exhaustive. Risks and mitigation methods may also vary from project to project, depending on the jurisdiction, the underlying regulatory framework, the structure of the off-taker, and the particular generation technology, amongst other considerations. Some risks are present throughout all phases of the project. Certain risks arise only during the development and construction phase, while others occur only once the project is operational.

Dispatch

Under the PPA, the company is required to comply with the dispatch instructions of the grid operator strictly. The company takes the risk of any operational failure to dispatch. The grid's dispatch protocol can be referenced by the PPA and become part of the PPA, or part of the transmission connection agreement to be signed between the company and the transmission company. Dispatch plans are delivered to the company to cater to monthly, weekly, and daily load planning purposes.

Lenders generally accept two structures for mitigating the risk that the off-taker may not dispatch the generating facility.

- Take or Pay: The off-taker pays a fixed tariff comprising a capacity charge (a fixed amount paid for available capacity - no dispatch required) and an output charge (an amount paid in respect of energy delivered). This permits the power producer to cover its fixed costs with the capacity charge, including debt service, fixed operating costs, and an agreed equity return.
- Take and Pay (typical for wind and solar): The off-taker must take and pay a fixed tariff for all energy delivered (no dispatch required). If the off-taker cannot physically take the energy and output is “curtailed,” energy will be calculated and paid for on a “deemed” delivered basis.

Foreign Exchange

Where financing is provided in a currency other than that in which payments are made under the PPA, the lenders will need to take steps to protect themselves against fluctuations in foreign exchange rates. Two risks arise when a project's revenue is in a local currency:

- The local currency may not be freely convertible (i.e. cannot exchange the local currency for a major currency); and
- The host Government may not have a foreign currency reserve that is sufficient to meet the

conversion needs throughout the life of the project.

- In emerging markets, rules for transferring capital are often not transparent. Despite not seeing formal restriction, it is usual to experience difficulties.

To avoid subjecting the power producer to currency risk, the PPA should be either denominated in or linked to an exchange rate of the currency of the power producer's debt or to hard currencies, and there should be no limitation or additional approvals required to transfer funds to offshore accounts as needed. Other mitigation measures include a combination of sovereign guarantees and political risk insurance. In emerging markets where the off-taker is a state-owned entity, lenders will sometimes require a guarantee from the sovereign to provide credit support for the payment obligations of the off-taker under the PPA. Under the guarantee, the state would agree to meet the payment obligations of the state-owned off-taker if it cannot pay, as they become due. However, a guarantee is only really useful to the extent that a guarantor is of sound credit quality. The issuance of sovereign guarantees to cover the payment obligations of state-owned off-takers under the PPA can materially enhance the ability of the Government to attract foreign direct investment to finance large power projects. But, for a number of reasons, Governments are not always prepared to issue sovereign guarantees to provide explicit credit support for the payment obligations of state-owned entities. In some cases, the ability of Governments to issue such forms of support is constrained by the Government's need to maintain sustainable public debt levels.

Changes in Law or Tax

The concept "Change in Law" includes the introduction of a new law, modification of existing law, and changes in the interpretation of the law by any court, tribunal, Governmental entity, or other authority which has applicable jurisdiction or regulatory oversight with respect to the Project or the Company. The off-taker and the Government will likely require the company to contractually commit in the PPA to comply in all material respects with the relevant country's laws. The company should, in turn, be able to commit to doing so, at least by reference to applicable laws at the outset of the project based on legal due diligence and advice. The company (and by extension its lenders) will, however, find it difficult to give an unqualified commitment to comply with laws to the extent that laws may change over time. The lenders are, often, not in a position to take any risk related to changes in law or taxes over the life of the project. The PPA should address the impact on the tariff in case of a change in applicable law and the mechanism for tariff adjustment.

Force Majeure

Force majeure under a PPA could be placed under a number of categories, the key ones being Local Political Force Majeure, Foreign Political Force Major Natural Force Majeure. Lenders will pay particular attention to ensure that events of force majeure events do not allow the off-taker to terminate the project prematurely. In some jurisdictions, supplemental charges are imposed on the buyers for grid system requirements (such as start-up charges, cost of ancillary services, and any charges for force majeure events that are the off-taker's responsibility under the PPA).

The company is typically relieved from complying with its contractual obligations (and liability to damages) for disruptions arising from force majeure events. However, the scope of force majeure relief available can often be a key negotiation point as it is a key contractual mechanism for allocating risk between the public and private sectors. One common issue is to what extent a company can obtain force majeure relief due to the inability to obtain relevant Government

approvals. The force majeure regime is often closely linked to the change in law regime. The scope of force majeure relief may also need to be adapted to different technologies. It is important to clearly define the meaning and consequences of force majeure. It may also specifically describe what is not covered within the scope of force majeure in the PPA.

Force majeure clauses could lead to the termination of the contract, it is important in this case to have a reasonable period before termination occurs.

Dispute Resolution

The PPA is a long-term contract, and parties cannot always know what will materialise over a period that can sometimes extend to 30 years. When disputes happen, it is in the interests of all parties to resolve them quickly and efficiently. The purpose of dispute resolution mechanisms is to ensure that every dispute gets resolved fast so the parties can revert to performing their obligations under the PPA. These disputes can relate to various issues, including contractual or technical or financial aspects. To avoid prolonged disputes, the PPA should provide resolution mechanisms, such as mediation, and arbitration, indicating the seat of arbitration, the law that governs the PPA contract, among others. The agreement should provide for offshore arbitration, in a neutral location, under rules generally acceptable to the international community (e.g. UNCITRAL or LCIA, or ICC). The availability and calculation of an early termination payment (typically for the purchaser to buy out the power plant) will be central to the commercial viability and bankability of the project.

Interconnection infrastructure

The PPA should indicate which party bears the risk of connecting the facility with the grid and transmitting power to the nearest substation. The more significant these risks (due to terrain, distance, and populated areas), the more the lenders will require the off-taker to bear all or a significant portion.

Local Content

Several countries have developed laws and policies requiring local content.[4] These laws and policies can be found as stand-alone documents, sector-specific documents, or within national procurement laws. Sometimes they may feature regulatory or licence requirements by the electricity regulator in the country. These laws and policies aim to increase economic linkages between foreign investment and domestic markets. It is important to have "realistic" local content requirements.

Termination and termination of payment

The PPA should clearly state the basis on which either party may terminate the PPA, including obligations of the power producer to hand over assets to the off-taker, and what happens to employees of the power plant if the power plant is transferred to the off-taker on termination. Termination by the off taker may leave the project with no access to the market and thus should be limited to significant events. The agreement should provide that if the PPA is terminated for any reason, then in case of transfer of the facility to the off-taker, the off-taker shall provide a termination payment at least equal to the full amount of the power producer's outstanding bank debt, in case it is financed with equity it

[4] Algeria used to have such a provision for its RES projects but the last 1,000 MW tender only incentives the use of locally produced equipment. Moreover, the 51/49 rule, which limits the part of foreign investment in any project to 49 per cent, has also been dropped for the renewable energy sector (see https://longreads.tni.org/the-case-of-algeria).

should provide a full payment, and in the case of the off-taker's default, a return on equity.

3. (Un)Bankable PPAs in North Africa?

Corporate PPAs are on the agenda across different markets in North Africa. Still, some rooms for improvement remain, particularly in creating a corporate PPA market that appeals to larger companies and investors.

Morocco

Over the past five years, Morocco reinforced its image as a pioneering country in renewable energy development. Building on its 2009 National Renewable Energy Strategy, the Government remains committed to its 2030 renewable energy target, and a surge in recently installed renewable energy capacity puts it broadly on track to meet its targets on time. In 2009, Morocco adopted Law 13-09 relating to renewable energy that introduced the possibility for operators of renewable energy production installations to enter into direct PPA with end-users to sell the electricity produced. This is formally possible for HV and MV clients but currently only HV clients are accessible due to the lack of secondary legislation

The price is freely agreed between the parties and is not determined by the Law (no feed-in tariffs). However, the end-users cannot resell the electricity to third parties. This has led to a highly competitive renewables independent power project program, where under Law 13-09, privately-financed projects are striving to sign PPAs with large private off-takers.

At least seven wind farms and eleven hydro projects have been developed or are under development under this Law. For example, Nareva operates the Akhenfir, Haouma and Foum El Oud wind farms with a total capacity of 200 MW selling power to industrial customers, whilst ACWA Power developed 120 MW Khalladi wind farm, which commenced operation in December 2017 and supplies 80% of its output to cement manufacturers Holcim Morocco, Asment and Cimat under long-term PPAs, with the remaining output being sold under short term PPAs to other commercial customers. Examples of hydro projects include those developed by Voltalia, which has obtained permits to build two hydropower plants of 9.8 MW and 7.2 MW in Morocco's Middle-Atlas region; the electricity produced is set to be sold under long-term private PPAs, which are under negotiation with corporate clients. Platinum Power also has five projects under development which have been authorised under Law 13-09.

Yet, Law 13-09 requires that all renewable energy projects be connected to the national grid. Therefore, no direct wire projects can be implemented under Law No. 13-09. Therefore, the operators of renewable energy production installations will need to access the national medium-voltage, high-voltage, and very-high-voltage grids to commercialise the electricity produced from renewable energy sources, subject to the available technical capacity of the grid. In practice, two agreements are entered into between the generator and the national electricity transport grid operator (ONEE) to access the national grid: the first is a grid connection agreement under which the operator of renewable energy production installations connects its facility to the national grid; the second is a network access agreement under which the operator is granted the right to inject electricity into the grid in compliance with specific technical and financial conditions.

An April 2021 report by RES4Africa and PwC assesses the perceived risk of investing in renewable energy in seven countries in the Southern and Eastern Mediterranean, including Morocco. In a general sense, the report outlines that the Government has put forward a series of draft laws which, once adopted, (hopefully) will tackle a series of current barriers to private investments. Barriers stem from particular difficulties in grid access and IPP market access, where procedures for receiving a grid connection are perceived as opaque and do not provide a satisfactory degree of predictability. The gid code, adopted in December 2021, did not bring the expected transparency on grid connection procedures and rules (management of the queue, costs etc.).

Law 58-15, in theory, grants IPP market and grid access to all voltage levels. However, the medium- and low-voltage grids remain out of reach for IPPs. This case highlights the implementation gap, where existing laws are strong but their weak implementation erodes investor confidence. Permitting is another related barrier: in addition to standard permitting procedures, investors need to receive a positive opinion from ONEE (Office National de l'Electricité et de l'Eau Potable) on the compatibility of their proposed project with the national grid – where the issue of not completely transparent procedures resurfaces.

Egypt

Egypt has sped up its energy transition and diversification. In 2015, Egypt placed renewable energy sources at the heart of the Integrated Sustainable Energy Strategy (ISES). This was adopted, along with the New Electricity Law, to drive sustainable socio-economic development and energy diversification. To this end, the Government launched various combinations of policies and flexible mechanisms to progressively liberalise the energy market, in particular a feed-in-tariff, a net-metering scheme, and Government auctions. These measures increased investors' confidence in the Egyptian energy market. Egypt's first corporate PPA was commissioned in December 2020 when CocaCola's 1MW solar photovoltaic rooftop at its Sadat City facility started operations. In 2014, Egypt passed the Renewable Energy Law that introduced a Feed in Tariff (FiT) program for renewable energy in Egypt. The main features of the program are as follows:

- A FiT scheme for developing wind farms and solar projects, based on long-term power purchase agreements (PPAs) (20 to 25 years).
- A sovereign guarantee of all financial obligations under PPAs.
- Exemption from customs and tariffs for renewable energy equipment.

Round 2 of the Feed in Tariff (FiT) concluded in August 2016 and was hailed as a major success, with 1.8 GW of solar capacity awarded at a competitive tariff of US$8.4 cents/kWh. This stands in contrast to Round 1, which failed to attract significant attention from investors due to PPA non-bankability. The contractual arrangements of the Round 2 included, among others, a 25-year take-or-pay PPA with EETC, a sovereign guarantee backing the off-taker's payment obligations, and a cost-sharing agreement concerning grid upgrade between the EETC, NREA, and the project company. Electricity is traded between generators and the EETC through PPAs. The EETC supplies the electricity purchased to the distribution companies, which act as suppliers to end consumers. The Government involved several multilateral agencies and development finance institutions in the design of Phase 2 of the FiT (notably EBRD and IFC). Their involvement as advisory partners and providers of finance can, in part, be credited for Phase 2 successful execution, differently to Phase 1.

Investor confidence in Egypt has been rising in renewables, but major risks are still seen in some

areas: since the launch of Phase Two of Egypt's solar feed-in-tariff (FiT) program and the completion of the 1.5 GW Benban solar park, Egypt's been a hotbed of renewable energy investment. Wind energy investment is also well underway, with players keen to get in on projects like the Ras Gharib wind farm.

In the RES4Africa and PwC report, Egypt's renewable investment environment is seen as less risky than it was in 2016. Investor confidence in Egypt's renewable energy sector has improved markedly in the last five years, with Egypt now considered medium-risk rather than high-risk. The Government has improved Egypt's credit rating, stabilised the macroeconomic climate, and drawn financing and technical support from development finance institutions. Yet, many concerns remain about the legal framework. Investors believe that projects that aren't megaprojects face more uncertainties when it comes to permitting, wheeling charges, and curtailment. Indeed, the corporate PPA framework is suited to smaller-scale generation. To address this, Egypt could consider restructuring prices and eliminating subsidies. Larger PPAs would help meet the needs of energy-intensive consumers and speed up the country's green transition. Also, the Government could take bolder steps to liberalise the energy market by allowing third parties to access the grid and improving transparency, independence, and competence in the sector. By fostering appealing PPAs, especially for energy-intensive consumers, Egypt can become the leader in renewable energy investments.

Tunisia

To face the problem of energy dependence and to fight against climate change, Tunisia launched the Tunisian Solar Plan in 2009 aiming to install 1 GW of renewable energy to provide 12% of the country's energy needs by 2020. Its long-term objective is to achieve 3.8 GW of renewable energy capacity by 2030. In 2015, the Government passed Law N°12-2015 on electricity production from renewable energies. This Law completes the existing regulatory framework and provides a legal framework for the development of large-scale renewable energy projects. The Law distinguishes three main support mechanisms for renewable energy projects:

- Electricity production for export,
- Electricity production for self-production, and
- Electricity production for the needs of the local Tunisian market is sold under a PPA to be concluded between the producer and STEG (Société Tunisienne de l'Electricité et du Gaz) for a period of 20 years, extendable for five years.

The latter is divided into two main procurement schemes: the authorisation and the concession regime. Both have been tested and led to the award of a series of tenders in the past few years (notably a 500 MW tender awarded in Dec 2019). In the RES4Africa and PwC report, the private investors expressed strong views about the inadequate bankability of the standard PPA under the authorisation regime, which leads to difficulty securing viable financing.

Particular bankability problems concern the absence of a sovereign guarantee, mitigating provisions on off-take risk, termination clauses, and force majeure. The lack of a state guarantee and terms linked to changes in the law and litigation mechanisms can cause problems for some developers or development banks when negotiating to fund. The question of PPA's bankability deserves to be investigated more closely. The design of PPAs is the responsibility of the regulatory authority (ANME), responsible for ensuring that PPAs are competitive in the interest of the private sector and are attractive to investors.

For the above reasons, to date there is no Corporate PPA market in Tunisia, despite industrial customers are willing to decarbonize

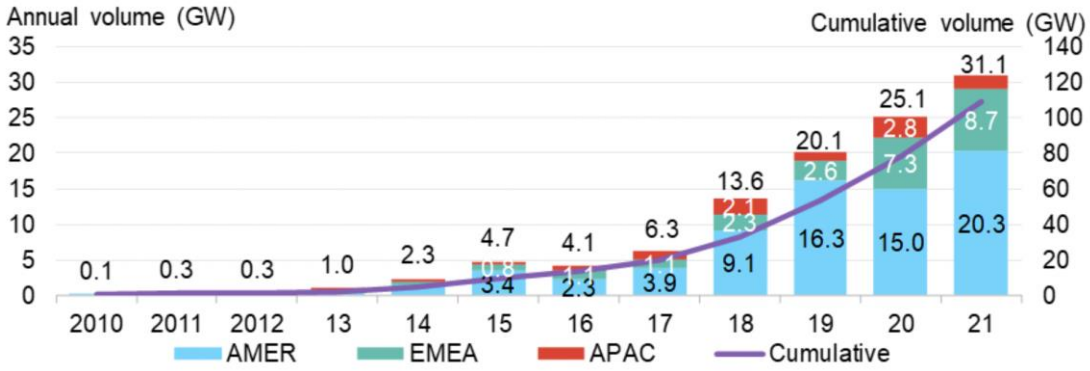
their energy consumption and access cheaper electricity.

Despite these issues, some projects of the first round of the authorisation regime have found enough financial resources and are currently being built. Still, improving the PPA terms could have a significant impact on the bankability of the projects and could result in even lower tariffs.

4. PPAs bankability: best cases from other countries

Global PPAs are on the rise. According to BloombergNEF, during 2021 alone, more than 31.1GW of new RES capacity was installed. Around 17GW of corporate PPA volumes signed were in the US in 2021. Europe is the second-biggest PPA market while the Asian market is still rather nascent. The US and the European PPA markets have developed differently over the years. In the US it is more common to see Virtual PPAs as opposed to Physical Delivery PPAs that still dominate the European market. In Europe, Spain became the leading PPA market with over 6 GW of contracted corporate PPA RES capacity in the last two years. The main drivers behind the Spanish PPA growth revolve around high solar PV project pipeline and increasingly lower and less attractive subsidy levels. As seen in figure 3, the other leading European PPA markets are the Nordic countries, with over 8 GW combined corporate PPA deals signed in the last decade (BNEF).

Figure 2: Corporate PPAs 2010-2021



While the Spanish PPA market correlates more with solar PV deployment, in the Nordics, wind power and hydropower are in the spotlight. Under the Spanish legislation, the development of renewable energy projects happens as:

- self-Generation (for auto consumption), together with the sale of excess power and
- bilateral contracting, i.e. facilities constructed for direct sale to end-customers by means of bilateral agreements (PPA).

Until recently, the Spanish Corporate PPA market was virtually non-existent. However, the PPA market landscape in Spain became one of the most attractive compared to the future wholesale price of electricity which has increased significantly since 2021. Demand for PPAs continues to grow rapidly as customers are looking for other cheaper hedging alternatives to meet their green corporate objectives. Both newly built, subsidy-free solar and onshore wind assets

are available for PPA contracts in Spain. Most of the PPA projects are Solar photovoltaic (PV) as Spain has solar resources and PV technology, which is very competitive and allows lower and more attractive prices for the off-takers.

On 26 June 2020, to encourage renewable energy development, the Ministry of Industry passed Royal Decree-Law 24/2020. The Decree announces the creation of a new reserve fund (FERGEI)[5] that will assume some of the financial risks faced by energy generators/suppliers when signing PPA deals with Elective-Intensive Users (EIUs). FERGEI provides loan guarantees to long-term PPA for electricity coming from renewable sources. The guarantees will have a minimum term of five years and can cover up to 80% of the non-payment risk or insolvency scenario from the power purchaser. The Decree gives the EIUs rights to ensure greater certainty over their energy costs. Also, the Royal Decree-Law 36/2020 enables public bodies to enter into long-term contracts with power suppliers. The Decree eliminates the four-year term limit imposed on power supply contracts by public procurement regulations, extending the limit to 10 years with no possibility of renewal or extension.

Moreover, the Spanish Government has worked to facilitate and simplify the on-site PPAs.[6] The Royal Decree 244/2019 regulated the administrative, technical, and economic conditions of the self-consumption of energy and eliminated some of the financial barriers – in the form of taxes and tolls. This spurred the lowering of the cost of electricity produced on a corporation's premises for self-consumption.

Italy is another example of a state with a rapidly changing RE market and ever-evolving support policy structure. In 2017 the Italian Government ratified the Italian National Energy Strategy (INES) and the Integrated National Energy and Climate Plan (INECP) in 2019. The main objectives of INES and INECP are to i) reverse the trend of 2014-2019, which saw the power supplied from renewable energy decline in Italy, primarily due to reductions in renewable incentives; ii) phase out coal in electricity generation by 2025 and iii) raise the share of renewable energy in Italy's energy supply from 17.5% in 2015 to 30% by 2030, with a share of 55% for renewables in electricity generation and 21% in transport.

Both documents highlight that corporate PPAs may facilitate the development and bankability of new, large-scale renewable energy plants. Corporate PPAs are also mentioned in the new Decree FER I and FER II,[7] which provides incentives for producing renewable energy over the coming years. The Decrees consider corporate PPAs as an alternative to public incentives and propose to create a market platform managed by Gestore dei Mercati Energetici S.p.a. to facilitate long-term contracts for renewable energy. It also suggests that the Italian Regulatory Authority for Electricity and Gas prepare a standard term sheet for long-term Corporate PPAs. Going forward, the Government included corporate PPAs in the national electricity regulation,[8] removed direct and indirect regulatory barriers for Corporate PPA,[9] designed compatible renewable support schemes,[10] established renewable certificate systems,[11] and facilitated dialogue between

[5] Fondo Espanol de Reserva para Garantías de Entidades Electrointensivas (FERGEI), on On 11 January 2021, the EU approved the FERGEI which include a EUR 200 million.
[6] Fieldfisher (2021), Corporate PPAs in Spain.
[7] Efficienza Energetica (2021), Decreto FER.
[8] Farley and William (2019), Italian CPPPAs, where we stand.
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[11] Italian Green Certificate.

interested parties to foster the mutual understanding of possible solutions.

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