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EFET CPPA Standard: a key tool for unlocking new RES projects in CEE/SEE

Dr. Jan Haizmann

*Chair of the EFET Legal Committee and Member of the EFET Board
J.Haizmann@efet.org*

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1. Co-operation between EFET and Solar Power Europe / Wind Europe

Industry joining forces



EFET CPPA - who is using it?

Testimonials from EFET CPPA users

“The EFET / RE-Source CPPA was well-received by both sides and especially by innogy’s in-house legal advisors. It was the **perfect starting point for the contracting phase and therefore it saved us a lot of time**. Also 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 and expect it to use it again for the next European PPA**”.

Roland Kok, innogy Renewables – Customer Solutions

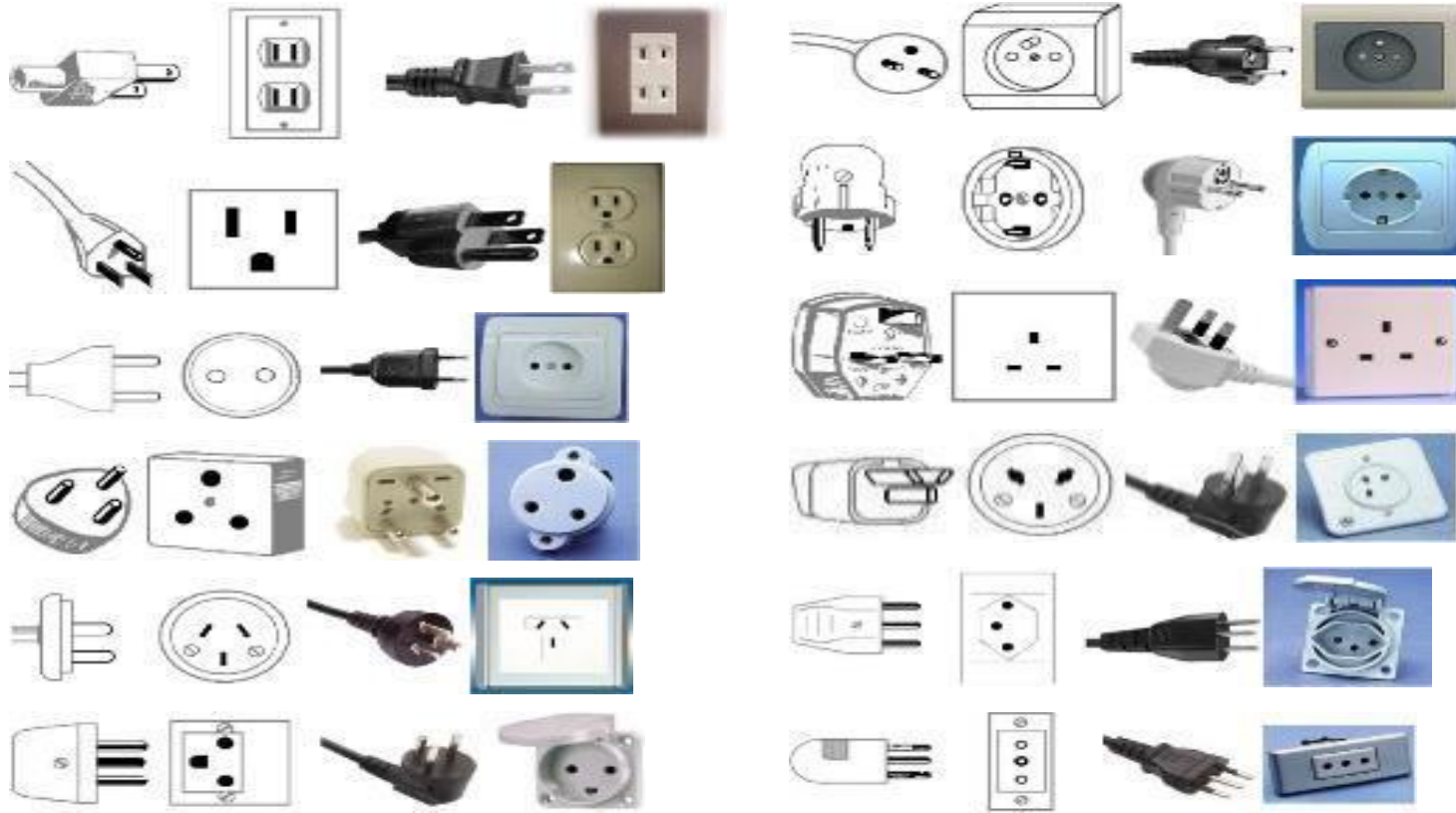
“The EFET / RE-Source CPPA contract helped us to navigate and speed up the contracting process for our first corporate renewable PPA, by removing much of the complexity and addressing all points that we needed to consider as a new market entrant. It’s written in such a way that it’s **straightforward to understand, even for our first PPA**. This is a well-prepared document and a useful tool for corporate buyers working to increase sourcing of renewable electricity”.

Bill Russell, RCM Utilities & CAPEX, Asahi Breweries Europe Group

2. Barriers to increasing the speed and the scope of CPPA uptake

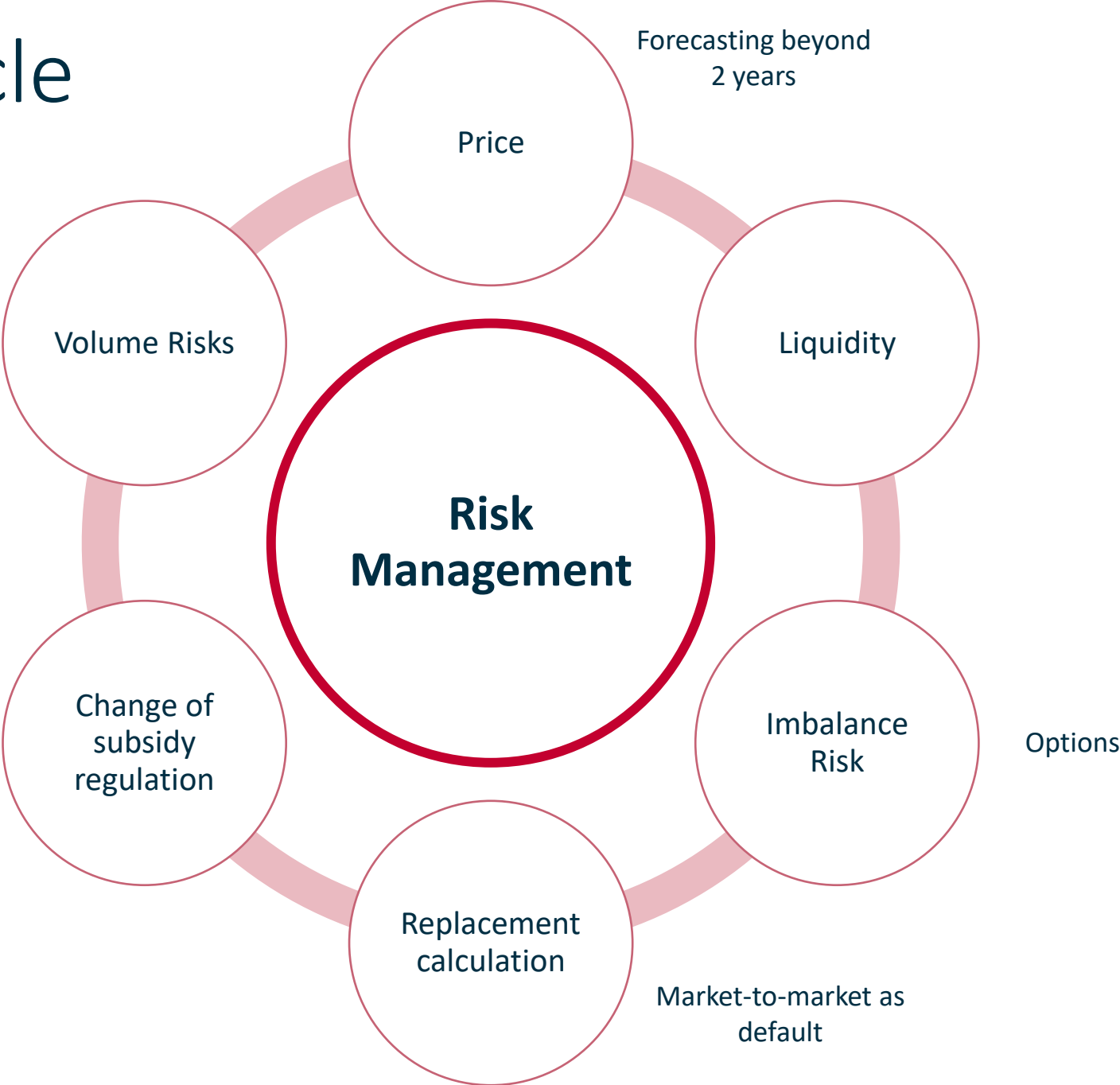
Why contractual standardisation?

- Back to Back Principle - how things can go wrong...



Risk Circle

Typical Risk factors
in CPPAs



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)*


3. EFET CPPA standard:
a tool to alleviate the barriers and
reduce the risks for both corporate
buyers and RES producers

History CPPA


- 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 Agreement
- Same terminology, same structure, adapted to the needs of PPAs – **building on the reputation and trustworthiness of EFET standards**

EFET CPPA standard developed in cooperation with RE-Source Platform

- ✓ First pan-European standard CPPA
- ✓ The contract covers the most common types of renewable energy corporate PPA transactions
- ✓ Suited for multiple jurisdictions and usable in a cross-border context
- ✓ Endorsed by lenders what confirms its bankability
- ✓ Freely available, open source and regular reviews
- ✓ Translated into Spanish, Polish and Italian, translations into other EU languages coming soon



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in cooperation with
RE-Source
European platform for corporate
renewable energy sourcing

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PART II (General Provisions) of the Individual Power Purchase Agreement

§ 1.
Subject of Agreement

1. **Type of Settlement:** This power purchase agreement ("Agreement") governs:

- (a) if Physical Settlement is specified as applying in Section A of Part I (Individual Terms), the purchase, sale, delivery and acceptance of the Contract Quantity of electricity from the Seller to the Buyer; or
- (b) if Financial Settlement is specified as applying in Section A of Part I (Individual Terms), this Agreement governs the obligation of each Party to reimburse the other Party, as applicable, for the Price Differential (if any), and

both in the case of Physical Settlement or Financial Settlement, the purchase, sale, the Delivery and acceptance of the Contract Quantity of Certificates from the Seller to the Buyer.

2. **Balancing Services:** If specified as applying in Section B of Part I (Individual Terms), this Agreement additionally governs the provision of the Balancing Services by the Buyer to the Seller.

§ 2.
Definitions and Construction

1. **Definitions:** Terms used in this Agreement shall have the meanings set out in the Annex (*Defined Terms*) or the EECS Rules.

2. **Inconsistencies:** In the event of any inconsistency between the provisions of Part I (*Individual Terms*) and the provisions of Part II (*General Provisions*) of this Agreement, the provisions in Part I (*Individual Terms*) shall prevail. In the event of any inconsistency between the definitions of the EECS Rules and the definitions of this Agreement, the definitions in this Agreement shall prevail. Subject to the preceding, in the event of any inconsistency between the provisions of this Agreement and the provisions of a Support Agreement and/or a Direct Agreement concluded between the Parties or between the Parties and a third party, the provisions of the Support Agreement and the Direct Agreement shall prevail.

3. **Interpretation:** Headings and titles are for convenience only and do not affect the interpretation of this Agreement.

4. **References to Time:** Unless otherwise specified in Section B of Part I (Individual Terms), all references to time shall be to Central European Time.

Architecture

Part I

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PART I (Individual Terms) of the
Individual Power Purchase Agreement

between:

having its registered office at _____
[renewable source electricity generator] ("Seller"); and

having its registered office at _____
[corporate buyer or utility] ("Buyer")

(referred to jointly as the "Parties" and individually as a "Party")

on the date _____ ("Signature Date"), where the commercial terms of this individual power purchase agreement are set forth below in this Part I (Individual Terms), and the general provisions of which are set forth below in Part II (General Provisions), and which incorporate by reference herein, and form a part hereof.

SECTION A: COMMERCIAL PROVISIONS

1. SETTLEMENT AND TOTAL SUPPLY PERIOD

1.1 The basis on which this Agreement shall be settled shall be:

Physical settlement of electricity ("Physical Settlement"); or
 Financial settlement of electricity ("Financial Settlement")

1.2 The Total Supply Period shall be:

The period commencing at 00:00 CET on the first day immediately following the Commercial Operation Date and expiring on the termination or expiry of this Agreement in accordance with its terms; or

The period commencing on the later of (i) 00:00 CET on the first day immediately following the Commercial Operation Date, and (ii) 00:00 CET on [specify date] _____ and expiring on the termination or expiry of this Agreement in accordance with its terms.

Part I - 2
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Individual Terms



Part II

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PART II (General Provisions) of the
Individual Power Purchase Agreement

§ 1.
Subject of Agreement

1. Type of Settlement: This power purchase agreement ("Agreement") governs:

(a) if Physical Settlement is specified as applying in Section A of Part I (Individual Terms), the purchase, sale, delivery and acceptance of the Contract Quantity of electricity from the Seller to the Buyer; or

(b) if Financial Settlement is specified as applying in Section A of Part I (Individual Terms), this Agreement governs the obligation of each Party to reimburse the other Party, as applicable, for the Price Differential (if any), and

both in the case of Physical Settlement or Financial Settlement, the purchase, sale, the Delivery and acceptance of the Contract Quantity of Certificates from the Seller to the Buyer.

2. Balancing Services: If specified as applying in Section B of Part I (Individual Terms), this Agreement additionally governs the provision of the Balancing Services by the Buyer to the Seller.

§ 2.
Definitions and Construction

1. Definitions: Terms used in this Agreement shall have the meanings set out in the Annex (Defined Terms) or the EECs Rules.

2. Inconsistencies: In the event of any inconsistency between the provisions of Part I (Individual Terms) and the provisions of Part II (General Provisions) of this Agreement, the provisions in Part I (Individual Terms) shall prevail. In the event of any inconsistency between the definitions of the EECs Rules and the definitions of this Agreement, the definitions in this Agreement shall prevail. Subject to the preceding, in the event of any inconsistency between the provisions of this Agreement and the provisions of a Support Agreement and/or a Direct Agreement concluded between the Parties or between the Parties and a third party, the provisions of the Support Agreement and the Direct Agreement shall prevail.

3. Interpretation: Headings and titles are for convenience only and do not affect the interpretation of this Agreement.

4. References to Time: Unless otherwise specified in Section B of Part I (Individual Terms), all references to time shall be to Central European Time.

Part II - 1
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General Provisions

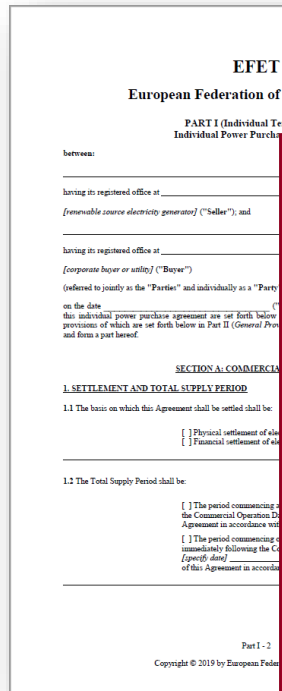
CHARACTERISTICS

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

Architecture

Part I: Individual Terms

Leaves room for parties to negotiate commercial terms

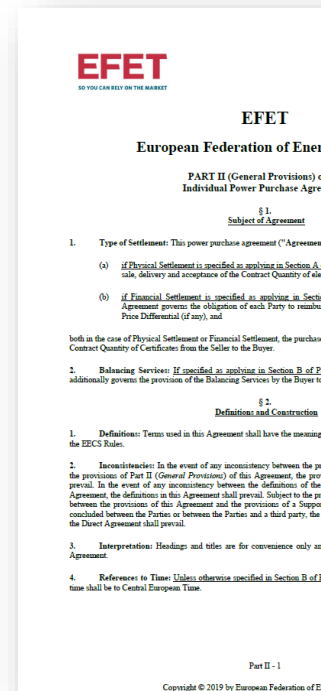


Part I individual terms:

- Volume
- Price formula
- Settlement (physical/ financial) and supply period
- Certificates
- Balancing
- Elections for the purpose of Part II

Part II: General Provisions

Saves time and reduces risk in negotiating general provisions



Part II General Provisions:

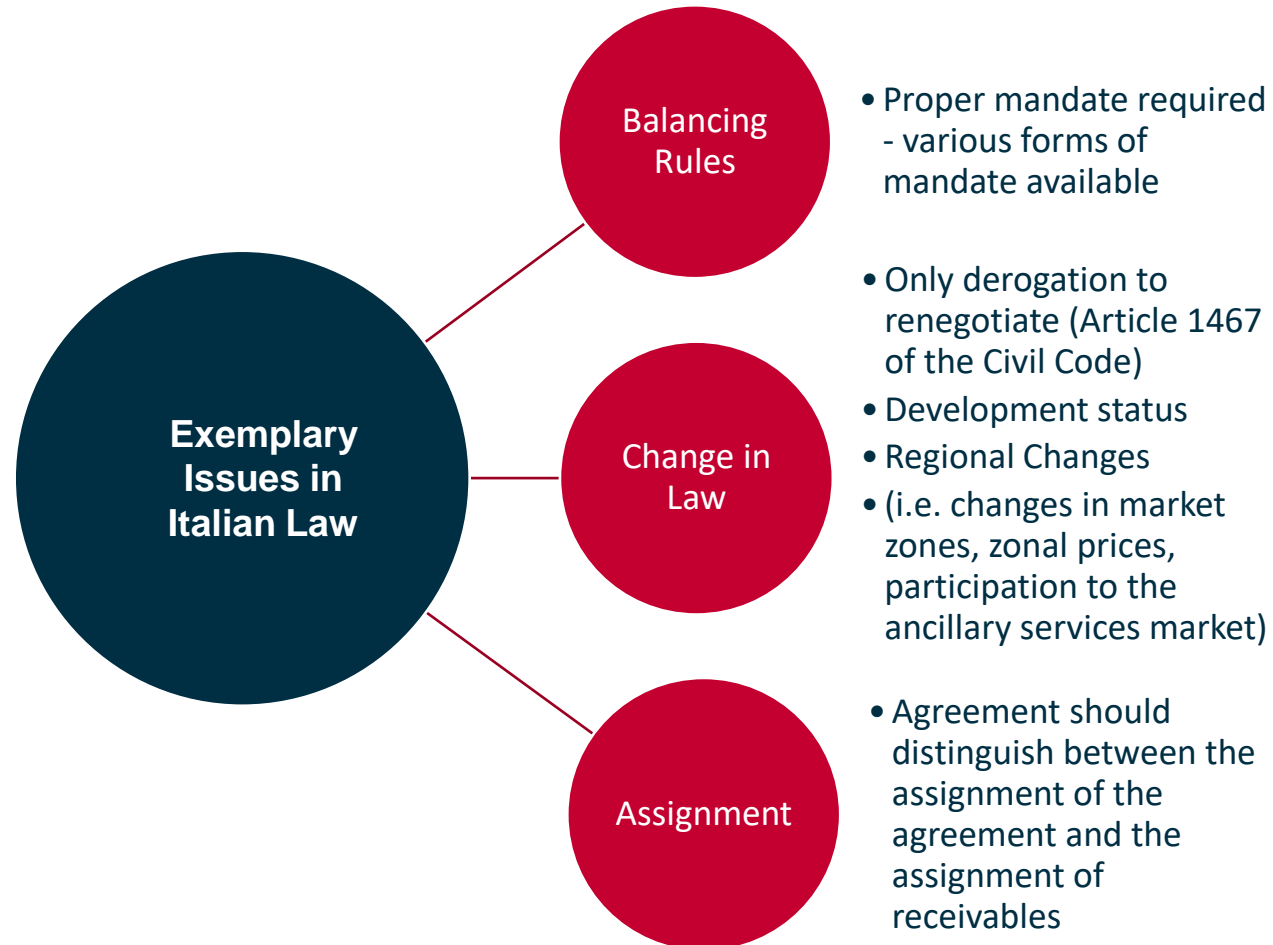
- Definitions
- Forecasting and outages
- Delivery
- Force majeure
- Governing law
- dispute resolution
- Change in Law
- Termination rights and calculation of termination amount
- Insurance
- Limitation of liability
- Invoicing, payment
- VAT and taxes

Guidance Notes to CPPAs

- Standard EFET CPPA **does not assume or recommend limitation** for governing law on CPPA – **building on the reputation of EFET standards as reliable basis**
- Assumption is that national law of the contractual parties applies, i.e. if 2 Italian companies use the EFET CPPA, assumption is to use **Italian law and Italian language**
- Issues resulting from governing law are summarised in **EFET Guidance Notes**. The Guidance Notes do NOT replace the need for the Counsel
- Guidance Notes+ Translations issued for France, Spain, Poland, and Germany, new plans following legislative developments in **Romania and Croatia**

Guidance Notes for Italian market

Italian translation and Guidance Notes: <https://efet.org/standardisation/cppa/italy/>



Guidance Notes for Polish market

Polish translation and Guidance Notes: <https://efet.org/standardisation/cppa/poland/>

Exemplary issues in Polish law & recommendations:

- New clause concerning the reserve seller *
- Requirement to comply with the statutory obligations (“green/ blue/white certificates”) *
- Additional representation if the Buyer is an industrial end-customer *
- Exclusion of article 68² of the Polish Civil Code (tacit acceptance)
- Amended definition of “Commissioning”
- Requirement for the Seller to possess a “distribution services agreement” *
- Appointment of an entity responsible for commercial balancing *

Guidance Notes for Spanish market

Spanish translation and Guidance Notes : <https://efet.org/standardisation/cppa/cppa-for-spanish-market/>

Spanish market practices:

Definitions

- Extended definition of the “Metered Output”
- Amended definition of the "Partially Commissioned"

Balancing rules

- Appointment of a Market Representation Agent
- New definition of the Market Activity Rules

Change in Law and Price Adjustments

- Shared allocation of responsibility for the Electricity Generation Tax
- Impact of any update of remuneration system for renewables

EECS Certificates

- Additional requirements needed

4. What next?

Way Forward

Screening of national laws
Guidance Notes on
national practices and
national laws
Published
www.efet.org

User
Education
Workshop

Translations - dual language
templates following the
established EFET practices
IT-SP-PL translations
are published
DE-FR translations in
preparation
www.efet.org

New Contractual
Standardisation Task Force
under the umbrella
of RE-Source
Ongoing

EFET CPPA in Romania

- PPAs not allowed in Romania since 2012. This is now contrary to Electricity Regulation (EU) 943/2019.
- In 2020 Romania opened the market for PPAs but only for new RES capacities.
- PENDING amendment to Romanian legislation to remove the interdiction to enter into direct bilateral contracts and allow PPAs for all generation capacities (including existing ones). Expected November 2021.
- > 7.000 MW in new RES capacities to be installed in Romania by 2030. Lots of activity on the PPA market expected.

EFET CPPA in Croatia

- New Electricity Market Act coming into force on 22 Oct 2021 (tomorrow!) – to enable non-FIT renewable projects' development in Croatia.
- 2.265 MW new RES capacities to be supported via market premium scheme (first auctions to be held end of 2021 or Q1 2022)
- CPPA opportunities for RES plants under development (> 3.000 MW)
- CPPA opportunities for operational RES plants leaving the FIT scheme
- Increased interest for CPPAs from both RES developers and energy traders / utilities. Lots of activity on the PPA market expected.

secretariat@efet.org
www.efet.org

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