

OFATE / DFBEW

PPAs on the rise in France:
typologies and new possibilities

Conference

March 5th, 2024



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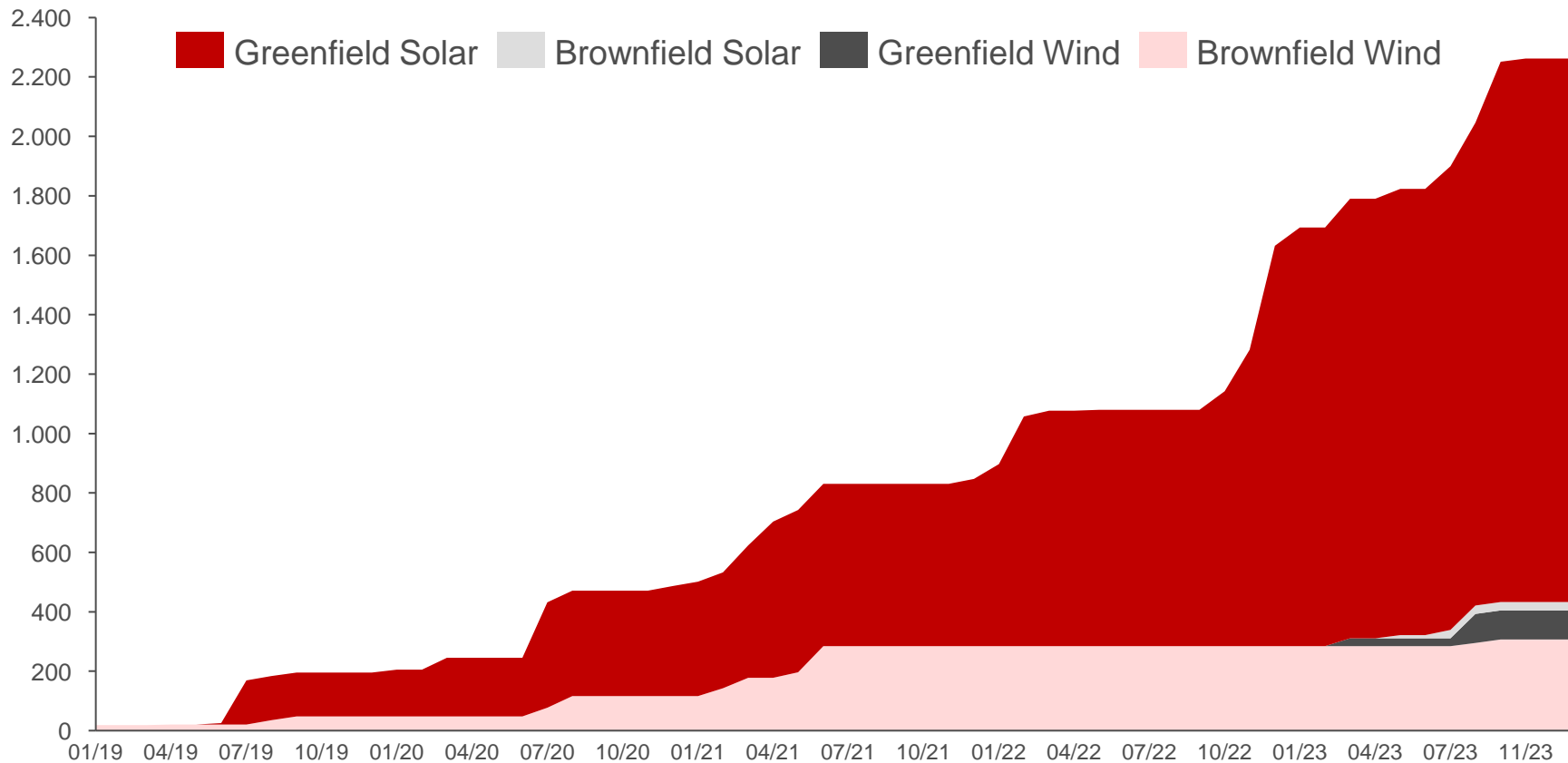
Climate strategy & Sustainable innovation



- Decarbonation strategy
- **Industrial ecology**
- Circular economy
- **Sustainable business models**
- Climate risks analysis

Since 2019, more than 2.4 GW of PPAs have been signed in France, mostly with greenfield solar and brownfield wind (95% of the market). Since 2023, greenfield wind market is growing

CUMULATED PPA CONTRACTED IN FRANCE SINCE 2019 – ONLY THOSE PUBLICLY ANNOUNCED – [MW]



- Greenfield solar PPA remains the largest source of PPA in France by far
- Greenfield wind PPA benefits from a lower cost increase recently than PV
- The net benefit of a PPA is less in favor of solar than it was in the past
- Brownfield PPAs are often used for different reasons than greenfield PPA (GoOs procurement vs. Hedging)
- **The PPA market is set to continue expanding in France, for solar and wind PPA**

Companies are using PPAs for various reasons, leading to different choices

1 Long term hedging

Following the energy market crisis, many corporates are looking to have longer term hedging to limit electricity budget volatility

2 For internal RE targets

Many corporates have set internal renewable procurement targets, perceived as having more impact than scope 2 emissions reductions targets in France due to the decarbonized electricity mix.

4 To leverage their internal assets

Many corporates that target an increased renewable electricity procurement are also looking to value their internal assets to facilitate renewable development : real estate, investment capacity, etc.

Why corporates are looking into PPA

3 To obtain labels (CDP / RE100 ...)

PPA are a useful tool to obtain labels, such as RE100 and CDP, with their increasingly demanding rules (procurement from recent assets, volume of PPA among RE procurement, etc.)

5 To strengthen their local roots

Many corporate also value the links that a CPPA provides with other stakeholders: local communities, company stakeholders (supplier, partners, employees, customers, ...)

Most of French PPAs share many characteristics, but some tricky issues remain difficult to manage

Current standard French PPA characteristics

Assets	<ul style="list-style-type: none"> Solar / Wind Greenfield / near-Greenfield / Brownfield Trend : brownfield contracts are less frequent. Labels' rules also limit their interests
Contract type	<ul style="list-style-type: none"> Physical / Virtual / Sleeved Trend : in France most PPA are still physical (esp. for greenfield) or sleeved.
Duration	<ul style="list-style-type: none"> Most greenfield contracts are between 15 to 25 years in France, which is longer than in other European countries Most brownfield contracts are less than 10 years, often 3-5 years
Value proposition	<ul style="list-style-type: none"> Pay-as-produced remains the standard in the French market, especially for greenfield. Often a partnership with an aggregator is realized to adapt the profile to baseload or a solar shape before being delivered to the consumer Baseload contracts are also appearing, and start to have for longer terms
Size	<ul style="list-style-type: none"> PPAs are rarely below 10-15 GWh It is often a full or a significant share of a renewable asset.

Sensitive issues

A	The increasing share of PPA requires developers, lenders and investors to define their policies/strategies towards these contracts more clearly, as they are representing a growing share of their portfolio
B	Counterparty risk remains a major issue, particularly for lenders and investors.
C	Corporate/public entities with smaller consumption have more difficulties to access PPA due to its minimum size, even if the demand is there
D	IFRS rules remain constraining and unclear for certain consumers, volumes and type of PPA
E	Integration costs remain largely complex for many corporate accounts
F	French PPAs suffer from the competition from vPPA from other countries (e.g. Spain)

However, innovation is under way to solve these tricky issues in the future

EXAMPLE OF SOLUTIONS TO TRICKY ISSUES

Multi-offtaker PPA

C

Multi-offtaker PPAs allow several offtakers to share the generation of one or a pool of assets. It allows smaller consumers to subscribe together a PPA.

Example: LCL / Voltalia, Engie offre Green PPA

Guarantee fund « *Garantie Electricité Renouvelable* »

B

For industrial consumers that do not benefit from sufficient financial rating, this offer may be used to guarantee the revenues for the developers, reduce the counterparty risk and improve project bankability

Example: BPI offer

Rolling asset PPA

Longer term (10 year) brownfield contract, with several assets that exit FiT/CfD contract and who will take turns to provide the PPA

Example: CPPA Eurowatt / Metro

Market maturity and rules clarifications

D

E

Increased maturity of market players on: IFRS rules (that are under discussions) and on integration values and costs (imbalances, intermittency, profiling, etc.)