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Evolution of financing conditions for solar plants in France and Germany

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6 June 2023

CURRENT CHALLENGES IN BOTH COUNTRIES

- **Delays of the manufacturers in delivery of pv modules and equipment**
 - May be the contractual risk of the borrower
- **Price increases on equipment**
 - Depending on the contract with the EPC/manufacturer, these are to be borne by the borrower
- **Increase in maintenance costs**
- **Increase in interest rates**
- **Volatility of the power market**
- **Constantly changing legal framework**

Impact on project financings:

- **For new project financings:**
 - Tariff awarded in the framework of tender offers few years ago are often not sufficient to cover the costs/interest rates increases;
 - Rentability of the project is questioned before implementation of any project financing.
- **For existing project financings:**
 - Projects in construction phase:
 - indexation clauses in construction contracts (sale of modules etc.) → equity contribution sometimes required to face additional costs (construction/limited recourse phase);
 - delay in construction: negotiation of waivers/debt restructuring, when the deadline to complete the project cannot be met;
 - Project in operation phase:
 - Increase of opex: impact on the DSCR calculation, equity cure as the case may be (no mandatory equity contribution as the project is in operational/non-recourse phase).

- **PPA vs. feed-in tariff:**

- obtaining a tariff within a tendering process proves to be more financially viable than selling the electricity exclusively under a PPA → floor is „guaranteed“.
- §§ 21a, 21b EEG allow switching to „other direct marketing“ at any time
- Project developers **mostly opt for the tender process** rather than PPA models
- § 37 EEG: criterias for eligibility for tender process; § 37 (3) EEG: max. plant size: **20 MW**
- § 100 (13): in 2023: max plant size **100 MW**

→ **increased demand of participation in the tendering procedures; decreased tariffs expected**

- **Agriphotovoltaics**

- DIN SPEC standard: ***Agri PV DIN SPEC 91434***

Reduction of the agriculturally used surface **of 15% maximum** (refers to elevations)

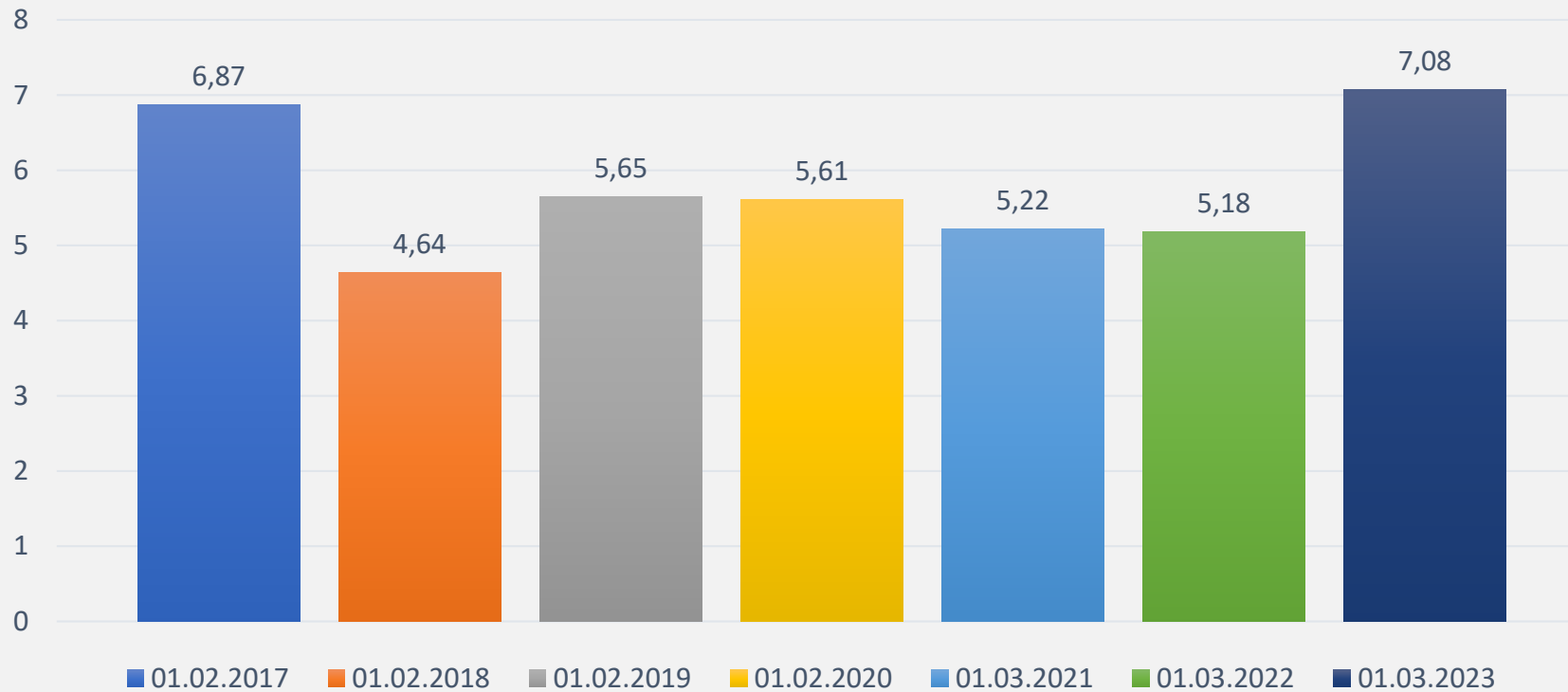
- Technical standard, no force of law
- May be suitable to avoid the aforementioned fiscal disadvantages
- Eligible to tendering process (§ 37 (2) 3. EEG)

→ **Clarifications in legislation required to promote agri-pv**

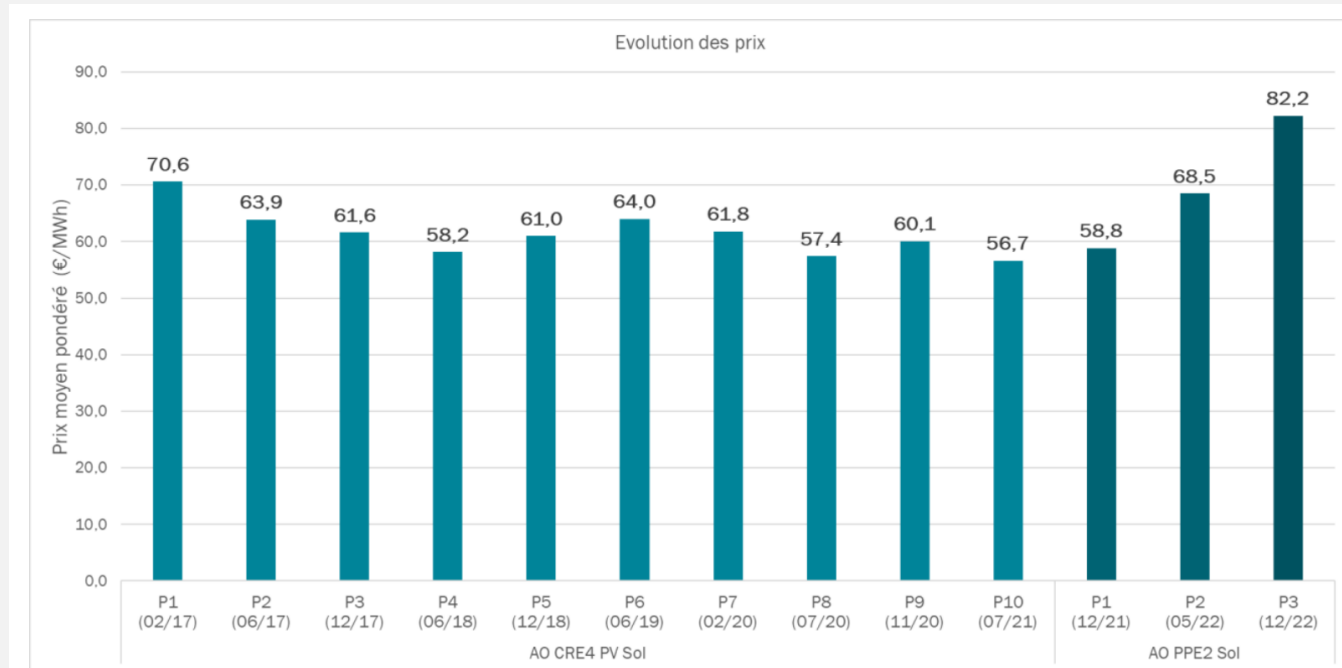
- **Minority shareholders**

- High demand for suitable land
 - Unfavourable tax laws (inheritance tax)
 - Increased demand of land owners to have an option to take a minority share of the SPV
 - so far, options are agreed, but rarely implemented
- banks and investors generally accept these participation structures

Average weighed tariff obtained in tender processes for ground mounted PV
in ct/kWh, 2017-2023
(source: BNetzA)



Framework of project financing in France: reference tariffs over the last tender offers CRE 4 and AO PPE 2 (average price for projects that French Energy Regulation Commission "CRE proposes to award) :



Évolution des prix des dossiers que la CRE propose de retenir à chaque période (€/MWh)

Source: CRE, deliberation dated 23 February 2023 n°2023-60

Legal framework of PV project financing in France

- **"18 months rule": modification on 30 August 2022 of the specifications of the tenders CRE 4 and PPE 2 (depending on the period):**
 - For projects commissioned between 1st September 2022 and 31 December 2024;
 - Possibility under certain conditions, to postpone from 18 months the date of activation of the supplemental remuneration contract ("*contrat de complément de rémunération*");
 - The power produced can be sold outside the supplemental remuneration contract at „high price“ over this period;
 - Most of the time implementation of "PPA" covering this period either at spot prices or at a fix prices.
- **Uncertainty under article 54 of the Finance Law 2023 implementing the "market price cap" for France (so called "*contribution sur la rente inframarginale*"), if the revenues over this 18-month period are „capped“ (i.e. purpose of the contribution)**
 - The Finance Law 2023 only referred to projects under "open-window" orders and not under tender offers in the exceptions to the contribution;
 - Clarification currently ongoing that such revenues are exempted from the contribution.
- **Negotiation of waivers/ due diligence to adapt finance documentation accordingly ... but measure not sufficient for all projects...**

Legal framework of project financing in France: new trends (1/2)

- **Implementation of corporate PPA in France as alternative to existing support mechanisms:**
 - New reference under article L333-1 of the energy code: from 1 July 2023, electricity producers concluding **a contract for the direct sale of electricity to end consumers** shall hold a licence delivered by the administration or appoint a third-party supplier holding such licence;
 - Pay-as-produced PPA for the bankability of the project (nevertheless commitments regarding availability of the PV plant);
 - Creditworthiness of the counterparty/guarantee to be provided by the power purchaser/guarantee fund to be implemented through bpifrance to cover such default for some projects;
 - Termination event/termination fee;
 - Guarantee now also required from the power producer (PV plant operator/owner);
- **A new balance shall be found in the framework of project financing and the bank shall be involved earlier in the CPPA negotiation.**

Legal framework of project financing in France: new trends (2/2)

- **Agri photovoltaic projects: new definition under L314-36 of the Energy Code:**

I.-An agrivoltaic installation is an electricity production installation that uses the sun's radiative energy and whose modules are located on an agricultural plot where they make a lasting contribution to the installation, maintenance or development of agricultural production.

II - An installation is considered to be agrivoltaic if it provides at least one of the following services directly to the agricultural plot, guaranteeing a working farmer or an educational farm managed by an establishment covered by Title I of Book VIII of the Rural and Maritime Fishing Code significant agricultural production and a sustainable income from it:

- *1° Improving agronomic potential and impact;*
- *2° Adaptation to climate change;*
- *3° Protection against hazards;*
- *4° Improving animal welfare.*

- **Implementing measures still expected to clarify the definition, and consequences for a project if it does not qualify as Agri photovoltaic not clear yet.**

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Merci de votre attention!

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