

EREF response to the public consultation on the PPA Guidance

Brussels, 20 February 2026

EREF welcomes the European Commission's initiative to remove remaining barriers to power purchase agreements (PPAs), building on the Commission's ongoing assessment and the framework set by the revised Electricity Market Regulation and the Renewable Energy Directive.

PPAs are key tools, alongside public support schemes and well-functioning forward markets, for the energy transition by mobilising private capital for new renewable energy generation and providing long-term price hedging for electricity consumers. They can support industrial competitiveness and energy resilience, but only if they are supported by clear, investment-friendly framework conditions and if access is broadened beyond a small group of large corporates.

Accounting, risk mitigation, cross-border market functioning, and coherence with public support schemes remain structural constraints. EREF therefore invites the Commission to address the following priorities in its Recommendation.

Accounting and financial reporting barriers

Accounting requirements, including IFRS¹ treatment and hedge accounting rules, continue to deter potential buyers and slow down PPA market development. In practice, complex and uncertain accounting treatment of long-term physical PPAs can discourage corporate offtakers, particularly those without large in-house financial and legal capacity, and can raise transaction costs and negotiation timelines.

EREF supports a policy approach that reduces avoidable complexity while preserving contractual freedom and a high level of market confidence.

Recommendation

The Commission should provide clarifications and encourage simplification of the accounting treatment of long-term physical PPAs to reduce legal uncertainty and transaction costs. More predictable accounting guidance would strengthen bankability and broaden the pool of potential buyers, particularly in markets where PPAs remain underdeveloped.

Mitigating default risks and enabling SME participation

A major obstacle to PPA uptake is counterparty credit risk on the buyer's side. SMEs in particular often lack sufficiently strong credit profiles to conclude bankable long-term

¹ International Financial Reporting Standards

contracts. This can translate into higher financing costs for renewable projects, shorter contract durations, and the de facto exclusion of SMEs and decentralised market actors from PPA-based procurement.

If PPAs are to contribute at scale to renewables deployment and price hedging, risk mitigation needs to be designed so that it does not privilege only large buyers and large balance sheets.

Recommendation

The EU should promote European and national guarantee instruments, including through EIB and InvestEU facilities, to mitigate counterparty default risk and make PPAs accessible to SMEs. Risk-mitigation tools should be designed to crowd in private capital, reduce financing costs, and enable aggregation and multi-buyer solutions where appropriate, without creating disproportionate administrative burdens.

Cross-border PPAs and internal market integration

Cross-border PPA volumes remain very limited despite the objective of a functioning internal electricity market.

In practice, electricity spot prices and PPA conditions vary greatly across Member States, and cross-border contracting remains complex due to legal and operational fragmentation.

Key barriers include uncertainty around the transfer and recognition of Guarantees of Origin, balancing group arrangements, network and redispatch risk allocation, congestion exposure, differing tax treatment, and diverging national contract law and regulatory practices. This fragmentation undermines the single market's potential to enable cross-border renewable sourcing and efficient allocation of renewable generation.

Recommendation

The Commission should develop targeted regulatory simplifications and promote harmonisation measures that make cross-border PPAs workable in practice, including:

- further harmonisation and mutual recognition of Guarantees of Origin schemes
- clearer treatment of cross-border balancing arrangements and congestion-related risk allocation
- improved transparency and predictability on network charges, redispatch exposure, and relevant cost pass-through
- support for standardised templates or model approaches for cross-border PPAs, as a voluntary tool to reduce legal complexity and increase market transparency

A more standardised European approach, combined with clearer risk allocation, would strengthen confidence in cross-border renewable contracting and accelerate uptake across more Member States.

Interaction between PPAs, CfDs, and state aid rules

Legal uncertainty persists regarding the interaction and possible cumulation of CfDs, PPAs, and other support instruments. In some Member States, electricity volumes sold via PPAs are excluded from volumes eligible under CfD-based renewable support schemes, despite there being no clear requirement under EU state aid rules for such restrictions.

Such limitations can reduce flexibility for project developers, undermine hybrid financing structures, increase financing costs, and discourage additional private contracting, at a moment when investment needs to accelerate and diversify.

Recommendation

The Commission should provide clear guidance that the cumulation of CfDs, PPAs, and other support instruments is permissible within the limits of state aid rules, provided overcompensation is avoided. Clearer guidance would strengthen investment certainty and support bankable renewable project pipelines.

Conclusion

PPAs are indispensable tools to accelerate renewable deployment, mobilise private capital, support industrial competitiveness, reduce exposure to fossil-driven price volatility, and strengthen Europe's energy security.

To unlock their full potential, the Commission's Recommendation should prioritise practical barrier removal that improves bankability and accessibility, including for SMEs and decentralised market actors, while supporting internal market integration and coherent interaction with public support frameworks.

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