

Call for Evidence

Removing barriers to Power Purchase Agreements (PPAs)

The 2023-24 revision of the EU's electricity market design identified Renewable Power Purchase Agreements (RES PPAs) as a key tool for delivering competitive electricity prices to European industry. Specific provisions were inserted into the Electricity Market Regulation (Article 19a) requiring Member States to “promote the uptake of PPAs, including by removing unjustified barriers”. The Renewable Energy Directive (Article 3(4a)) also requires Member State to “establish a framework, which may include support schemes and measures facilitating the uptake of renewables power purchase agreements”.

Despite these requirements to promote RES PPAs, 2025 saw a sharp reduction in the number of deals being signed¹. This reduction was especially pronounced in the second half of the year. May 2025 saw an 81% reduction in renewable capacity contracted under new PPAs². This indicates that the reform of the Electricity Market Design has not yet been successfully implemented.

Financial Regulation and Accounting Treatment of PPAs

Under International Financial Reporting Standards (IFRS), virtual (financial) PPAs are typically treated as derivative instruments and are therefore subject to fair value accounting. This requires periodic mark-to-market remeasurement, with resulting gains or losses reflected in profit and loss statements. While technically consistent with financial reporting principles, this approach introduces significant earnings volatility and reporting complexity for corporates entering into long-term PPAs for hedging and decarbonisation purposes.

The accounting burden may act as a disincentive, particularly for non-energy corporates whose primary objective is price stability and sustainability compliance rather than financial trading. In light of this, the European Commission could consider engaging with accounting standard-setters and supervisory authorities to assess whether clearer guidance or targeted adjustments are warranted. A more proportionate and predictable accounting framework, the development of EU level de-risking instruments (e.g. via EIB) and the encouragement of harmonized credit assessment would reduce perceived financial risks and encourage broader participation in the PPA market.

¹ [PPA deal tracker - RE-Source Platform](#)

² [Pexapark reports significant slowdown in European PPAs in May – pv magazine International](#)

Project Development and Grid Access Constraints

The pace of renewable energy (RES), BESS and hybrid project deployment is increasingly constrained by structural bottlenecks. Lengthy and fragmented permitting procedures, grid saturation, insufficient transparency regarding available connection capacity, congestion cost allocation and Guarantees of Origin treatment create substantial uncertainty for investors.

This uncertainty directly impacts the PPA market. Developers are often unable to provide firm commissioning timelines, which undermines negotiations with offtakers and weakens financing prospects. Exposure to connection delays and curtailment risks further complicates contractual risk allocation.

To address these challenges, long-term grid planning must be reinforced and better aligned with national decarbonisation targets. Transmission and distribution expansion should proceed in parallel with renewable deployment and should avoid the construction of highly branched networks, focusing instead on areas with investment growth and increased consumption, while limiting the additional costs that a dispersed network would entail. Additionally, queue management systems should be strengthened, and clear, objective eligibility criteria should be implemented to ensure that grid capacity is allocated efficiently and transparently. These measures would materially improve investment certainty and facilitate the timely conclusion of PPAs.

Market Design and Regulatory Stability

Long-term PPAs depend on regulatory predictability and confidence in market-based price formation. Investment decisions in renewable generation are underpinned by expectations of stable contractual and policy conditions over extended periods. Regulatory interventions that materially alter revenue expectations — such as temporary revenue caps introduced during periods of crisis — may achieve short-term policy objectives but risk undermining long-term market confidence.

Moreover, another main barrier to RES PPAs remains unaddressed, namely the cost and risk of shaping/firming the variable RES supply to match a different profile than the RES generation profile (e.g. more stable consumption/baseload profiles). This key barrier was already identified by DG ENER in a report published way back in 2019³. Shaping/firming must be recognised as the key barrier to RES PPAs, and support schemes should be put in place to help producers and consumers to overcome this barrier, in line with the provisions of both the Electricity Market Regulation and the Renewable Energy Directive.

The regulatory regime regarding the RES curtailments shall also be on the forefront of the issues to be tackled, as the oversupply of RES generation has as a result the

³ [Part-2_Competitiveness-of-corporate-sourcing-of-renewable-energy.pdf](#)

cannibalization of the RES development and hence the utilization of the RES PPAs as a tool towards price stability themselves.

So, the shaping and the RES curtailments remain as two major issues that influence the viability of a RES project and hence the structure and value of the RES PPAs themselves. These two matters are increasingly involving in the energy markets and should be treated with the respective importance in terms of cost alleviation and Commission's support for the introduction of regulatory mechanisms and solutions that will work towards more stable and manageable, in terms of risk undertaking, RES PPAs.

A stable and transparent regulatory framework is particularly critical for the integration of flexibility solutions, including storage and hybrid assets, and demand response. These resources are central to the EU's decarbonisation strategy and to the efficient integration of intermittent RES. However, their viability relies on price signals that accurately reflect real system conditions. Administrative distortions, including caps or ad hoc market interventions, weaken these signals and reduce incentives for investment in flexibility.

Finally, market architecture should enable portfolio-based aggregation across generation, storage, demand response and supply activities. Segmented aggregation frameworks — such as the current model applied in Greece — limit optimisation opportunities, increase transaction costs and hinder the development of sophisticated, bankable PPA structures that combine multiple technologies. A more integrated market design, a clarify regulatory framework of aggregated PPAs and the recognition of suppliers/utilities as risk intermediaries would enhance efficiency, reduce system costs, support the maturation of the PPA market and enabling the broader access.