

PPA seller tenders increasingly common

A prevailing shortfall in supply means corporates seeking power purchase agreements (PPAs) in Europe must increasingly bid into seller auctions, consultancy Altenex Energy says

It is becoming increasingly common for sellers to issue “reverse tenders”, where prospective offtakers propose PPA prices, and negotiate a deal with the company that makes the most competitive bid.

There has been a shift from a buyers’ to a sellers’ market for European PPAs in the past 18 months as the energy crisis has spurred demand for deals, Corina Melchor, clean energy advisor at Altenex, said.

“It used to be a buyers’ market [where] sellers were vying for buyers to sign and buyers had the upper hand and were able to pick between different projects.”

A lot of new offtakers have come into the market seeking long-term price certainty, particularly heavy industry, “because energy costs are such a big part of their cost stack and they want to mitigate that”.

Availability of projects has not been able to keep pace with this rise in demand, partly due to permitting delays.

“Now buyers are going to sellers and asking for projects and PPAs, the power dynamic really has shifted,” Melchor said.

Energy companies with projects at an advanced stage of development are increasingly conducting reverse auctions – giving the specifications of the project, its location and load forecast – with buyers bidding a fair price.

“It used to be an auction for buyers to procure from a choice of projects, now it’s the opposite.”

This has also highlighted the need for advisory services that can inform buyers on an appropriate bidding level, a “Goldilocks price – not too high and not too low”.

PPA sellers consider the bids “as a whole”, including what each buyer has to offer in terms of credit and name recognition.

“It’s not just about price but also creditworthiness, the buyers’ story and potential to sign further deals.”

Contract structure and length is typically set by the seller.

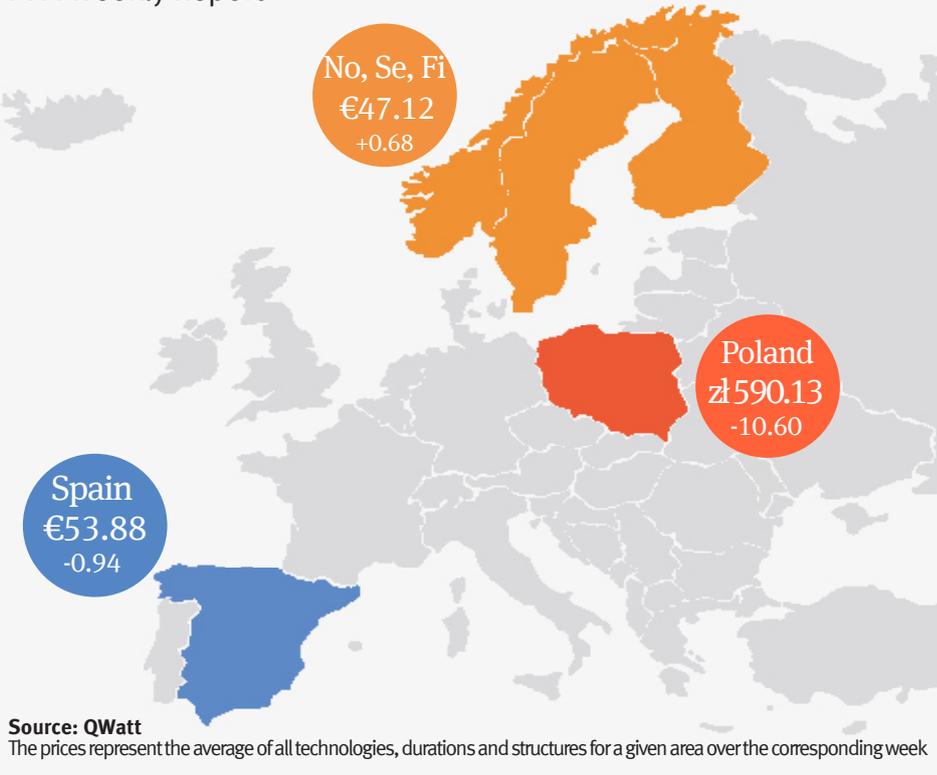
Many reverse auctions are “massively oversubscribed” with bids totalling three to seven times the volume offered.

European PPA prices rose 3% from Q3 to Q4 last year to EUR 91/MWh amid rising supply chain costs, Altenex said in a report.

They would “stay more or less the same” this year as easing supply chain costs would be offset by rising interest rates, which increases financing costs.

Spain remains the “most attractive PPA market” in Europe as it offers significantly

PPA Weekly Report



lower prices than other markets.

Solar PPA prices in the country jumped 25% last year to around EUR 46/MWh in Q4.

Spain’s latest renewable auction in November failed to meet expectations, with 46 MW allocated out of 3.3 GW “likely due to the government’s low price cap” at EUR 47/MWh. Prices would likely remain above this level going forward which would still be “an attractive opportunity” for buyers.

However, this was still below prices in Italy, France, UK and Germany which were EUR 82-100/MWh in Q4 last year.

Poland has some of the highest prices with solar at around EUR 110/MWh.

High power prices, a carbon-intensive grid and growing sustainability commitments have driven PPA demand up amid a scarcity of projects due to unfavourable regulation for renewables development.

German investment firm Aquila Capital signed a PPA with Estonian utility Eesti Energia for 1.8 TWh wind in Lithuania.

Spanish utility Acciona penned a 12-year deal for a 42 MW solar plant to US medical technology firm Zimmer Biomet. *RB*

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