Pressure on corporate responsibility driving deal flow in renewable energy sector

Increased pressure on corporate companies to have better 'green' credentials and the end of Government incentives has seen the number of subsidy-free renewable energy projects increase by more than 1,000 per cent since 2013, according to research from global law firm DLA Piper.

The number of purchase power agreement (PPA) deals in Europe has increased from just four in 2013 to more than 45 in 2019, as of July, which have either been signed with a utility or energy trader, or with a corporate.

While the energy transition towards renewables has been enabled by governments through support mechanisms such as feed-in-tariffs, the baton has now been passed into the hands of the private sector. Corporates across the globe have been under increasing pressure from consumers and investors to "green" their businesses leading them to radically change the way they purchase electricity either as signatories of PPAs or even, in many cases, as owners of renewable energy plants.

Renewable energy projects have blossomed around the world driven primarily by government subsidies. Europe has been at the forefront of this energy transition, accounting for 36% of the global share of renewable energy capacity, with 536GW of total installed capacity by the end of 2018.

However, this phase of the transition to renewables is set to come to an end, as capital costs have declined sufficiently to enable such projects to be economically viable on the basis of grid-parity with fossil fuels in several European markets.

Solar PV is the most notable success story regarding the role that capital cost reductions have played in decreasing the levelised cost of energy of this sector. Some countries have achieved cost reductions of more than 80% and as a result, grid-parity is close to becoming a reality.

Despite the emerging transition of responsibility from Government to corporate, DLA Piper warns that in order to deliver on Europe’s climate objectives policymakers should not take a backseat.

Commenting on the findings, Peter Ihrfelt, Partner at DLA Piper Sweden, said: “At first glance it may appear that the role of policymaking would take a back seat with a subsidy-free and market-driven environment, however, Governments and regulators still have a clear role to play in a grid-parity world. For example, regulators still have the power to affect investment decisions through market design, tax framework, and grid legislation.

Another notable example is the role of the government in the permitting and planning process. Support for renewables is needed both from the national and regional government in order to remove barriers that do not allow projects to get off the ground.”

The full report ***Europe’s Subsidy-free Transition – the road to grid parity*** can be downloaded here.

PDF	Europe’s Subsidy-free Transition – the road to grid parity