

GREATER USE OF PPAS COULD OFFSET REGULATORY UNCERTAINTY - EY ABOGADOS

Posted on 13/05/2018



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The increasing use of power purchase agreements (PPAs) in the energy sector could offset the impact of the uncertainty created by the end of the government's regulatory period next year, according to EY Abogados partner Félix Plasencia.

According to Plasencia, there is a lot of appetite in the M&A market for renewable energy installations. "The end of the current regulatory period, which is due in December 2019, has created an element of worry for investors, but uncertainty can also bring opportunities," he says. "The market has not slowed down, transactions are being negotiated based on calculations, with a greater or lesser degree of optimism," he adds.

In this environment, the role of PPAs is gaining in importance. "PPAs used to be rare in Spain, but they're being increasingly used and they're very closely related to a project's viability – whether a project will be executed or not often depends on whether there is a PPA in place," says Plasencia. The pool of investors in energy projects is varied, from foreign funds to large Spanish companies, and also smaller corporates which are looking to grow. The challenge, for investors and renewable

energy companies, according to Plasencia, is how to adapt to a complex regulatory environment and reduce the reliance on government subsidies. "PPA's can provide a means of guaranteeing return of investment and reduce reliance on the government's remuneration regime," says Plasencia. Plasencia adds that large energy installations that use the most up-to-date technology are also becoming increasingly common. "Such installations are generally less reliant on government incentives," he says. "Our [law firms] challenge is to have the capacity to accompany clients – not just from a technical perspective, but also by being able to provide financial advice and consultancy services."