

Corporate Power Purchase Agreements

YOUR TRUSTED ESG GUIDE

Corporate Power Purchase Agreements

An agreement between a renewable energy producer and an energy consumer or “offtaker”

A **corporate power purchase agreement (cPPA)** is a contract between an **offtaker and a producer** of renewable energy. The contract is designed to provide the oftaker with a **long-term supply of renewable energy**, at fixed prices.

There are two main types of cPPAs: **sleeved and synthetic**. In a sleeved or “physical” cPPA, the oftaker purchases energy **directly from the producer**. The energy is delivered through the local utility grid, which ‘sleeves’ the power from producer to the end-user. Conversely, a synthetic cPPA, also known as a **financial or virtual PPA**, is primarily a financial contract where no electricity is sold. The **environmental certificates** relating to the energy generated are sold to the oftaker for a fixed price. The difference between the fixed price and the market price is then settled between the oftaker and the producer.

While both types of cPPAs provide a mechanism for securing energy supply and price stability, they carry **differing levels of complexity, risk, and regulatory considerations**.

Beyond purchasing energy

cPPAs as a strategic solution for generators and offtakers

In an era where environmental, social, and governance (ESG) considerations are rapidly moving to the forefront of corporate strategy, corporate power purchase agreements can be **more than just power contracts**. cPPAs can offer a strategic solution for businesses navigating the **evolving energy landscape**.

cPPAs provide **price stability** by locking in energy prices over a specified term. Offering a hedge against volatile market fluctuations and providing your business with **improved cost control and financial predictability**.

Moreover, these agreements can be an important part of your sustainability and ESG strategy. By engaging in cPPAs, you can **contribute to your business' sustainability targets** by acquiring environmental certificates related to the renewable energy generated, and play an active role in **driving the energy transition** by investing in additionality – bringing new renewable energy online.

Benefits for offtakers



ENERGY COST STABILITY



DIRECT ACCESS TO RENEWABLE ENERGY



CONTRIBUTES TOWARDS SUSTAINABILITY AND ESG TARGETS

Benefits for energy producers



OBTAINING A SECURE, LONG-TERM REVENUE STREAM



HEDGING AGAINST ENERGY PRICE VOLATILITY



PROJECT BANKABILITY FOR BRINGING NEW RENEWABLE ASSETS ONLINE



At DLA Piper we have an extensive global cPPA track record. This enables us to provide you with a comprehensive suite of legal services tailored to assist you in navigating complexities with confidence.



Drafting & negotiating contracts

Negotiating and concluding a cPPA can be a complex matter, as it involves detailed discussions on **price, volume, duration and risk allocation**.

We help you draft and negotiate a contract that meets both your **business and sustainability needs**.

Identifying potential risks

When agreeing on a cPPA, you will need to **ensure compliance** with all relevant local, national, and international laws and regulations.

The regulatory landscape that underpins cPPAs is **constantly evolving**, in particular with sleeved cPPA structures.

In our due diligence or advisory role we help you identify relevant potential risks and **propose mitigation strategies**.

Providing robust dispute resolution

As with any **complex agreement**, the involved parties could end up disagreeing on commercial terms such as payment conditions or changes in creditworthiness of an offtaker.

In the **unfortunate event of a dispute**, we provide robust dispute resolution and risk management advice on **contractual matters, insurance coverage and financial hedging**.

Global power procurement

Efficiently advising across different jurisdictions

We advised **H&M** on their procurement of PPAs across Europe and the US. Our work included production of **standard form Heads of Terms and Power Purchase Agreements** which resulted in one PPA being signed in the UK and three in Spain, with ongoing procurement in Poland, the US, Finland and Norway.

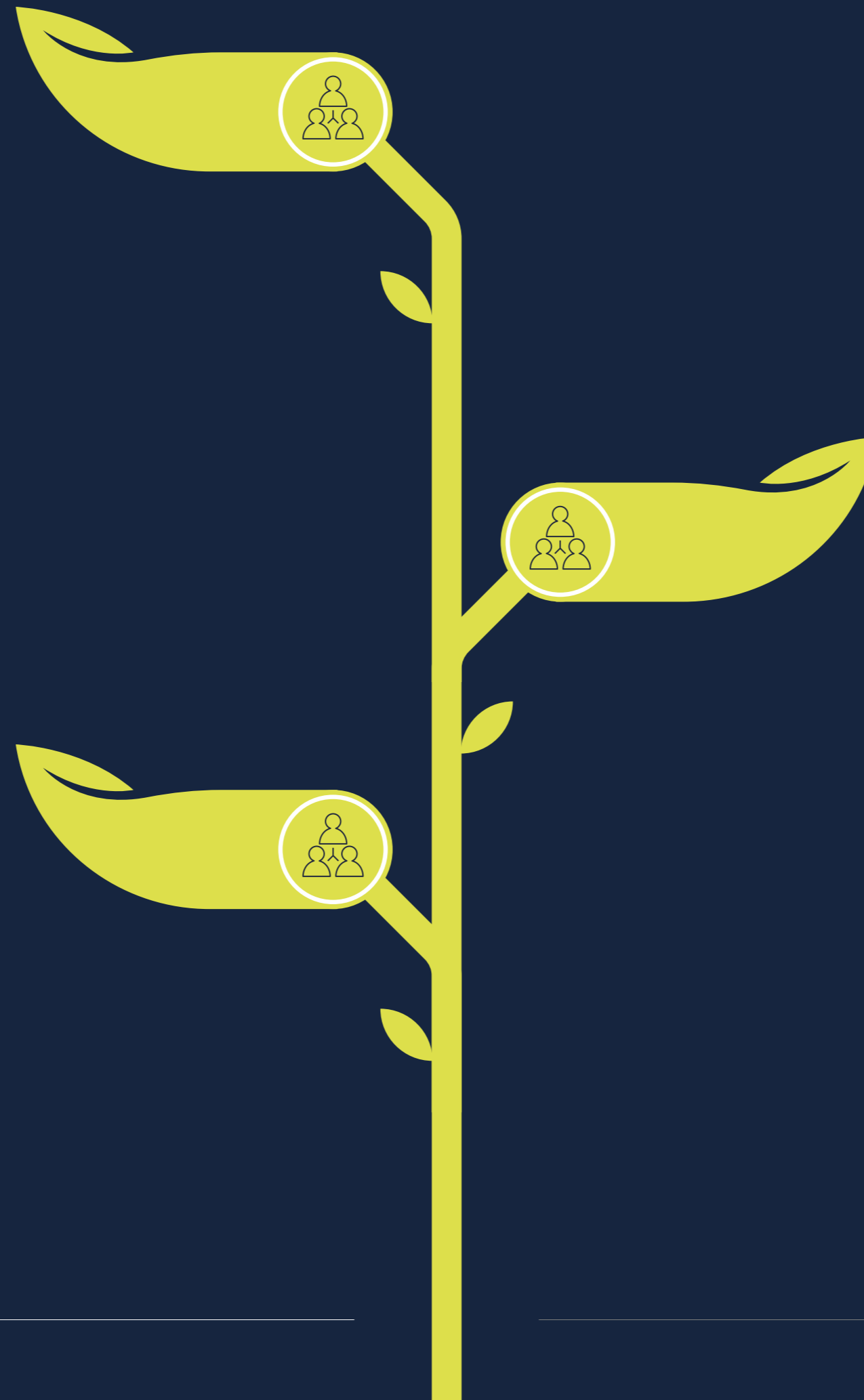
In Sweden, we advised H&M on a cPPA with Neoen and Alight, developers and owners of the Hultsfred solar project. As **the largest solar PPA** to date in Sweden, the long-term agreement will provide a total capacity of **at least 90 MWp of renewable energy** to H&M Group, helping the company in reducing its carbon footprint and adding new green power capacity to the Swedish grid.

Setting the standard

Drafting European market standards

We advised on the development of the **first and only** European standard precedent PPA for the European Federation of Energy Traders (EFET). This has been drafted for both **physical and financial settlement of power** and existing and new- build generators, and is also used as a market benchmarks for many European PPA negotiations. We helped EFET to:

- successfully manage the input from a **100+ stakeholder group** of members;
- find **compromise positions and contractual options** reflective of market and member requirements; and
- **draft the standards** in a way that would make them suitable for multiple governing laws and international use.



A frontrunner in the market

First and only law firm to have signed a cPPA as offtaker

DLA Piper is the **first and only law firm in the world** to have entered into a cPPA as an offtaker. In January 2022, we signed our own virtually settled cPPA with NextEnergy Group, relating to the energy generated from a new build solar farm in the UK. The project will generate **13 MW of additional renewable energy** equivalent to the consumption in 15 of DLA Piper's European & UK offices.

The process of **procuring, negotiating and finalising** our own cPPA has helped us fully appreciate the internal stakeholder management and alignment required to ensure that a cPPA can progress to signing. We **experienced first-hand** the many questions that your finance, procurement, tax, facilities and energy management teams may raise – and we are happy to share our lessons learnt!

Do you want to know more?

Do not hesitate to **give us a call** to discuss. We are here to **help**.



Gerard Kneppers

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Gerard Kneppers is a partner in the Banking (Finance & Projects) department of DLA Piper in Amsterdam and has more than 20 years of transactional experience in the Netherlands, England and Wales as well as in South Africa (being a qualified and admitted lawyer in all of the aforesaid jurisdictions). He focuses on (Renewable) Energy, PPP, DFI and leveraged finance / corporate lending products, and also has substantial experience in the field of mergers & acquisitions, thereby giving him a deep understanding of the full transactional cycle of project- and leveraged finance transactions.

He is recognised as a leading banking and finance lawyer by both Chambers & Partners and Legal 500 and his clients include parties across the spectrum such as sponsors, project companies, financial institutions and (strategic) purchasers (borrowers) and vendors.

DLA Piper

Your trusted ESG guide

Environment, Social and Governance (ESG) can no longer be regarded as just a corporate box ticking or report writing exercise. It is now firmly established as the umbrella under which all facets of the transition towards a more sustainable future are gathered.

In the past few years, we've seen the ESG legal framework evolve rapidly. Making the transition towards a more sustainable future an undeniable and critical necessity for every business. Your organisation's social license depends on meeting stakeholder's ESG expectations, complying with the ESG legal framework and driving performance through a well-articulated strategy.

We believe that by making businesses better, we make the world a better place. On your journey towards a more sustainable future, DLA Piper is well positioned to be your trusted ESG guide. Wherever you are in your transition, we will guide you with forward-looking and pragmatic legal advice. With our global mind-set and vast practical experience, we can help you navigate environmental, social and governance challenges and seize ESG-related opportunities.



